Dart & Kraft, Incorporated Annual Report -- 1981
America's Corporate Foundation; 1981; ProQuest Historical Annual Reports
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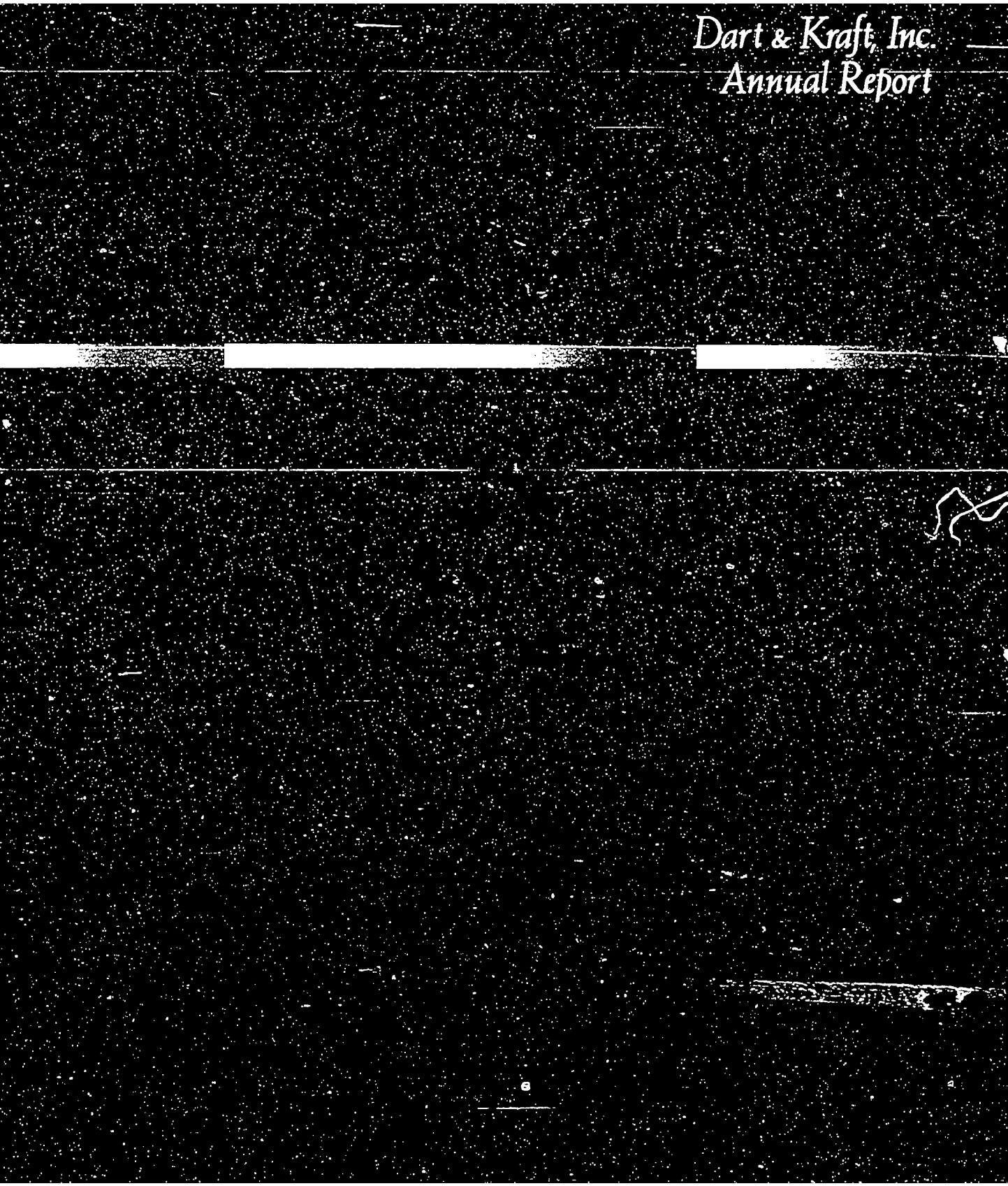

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Dart & Kraft, Inc.

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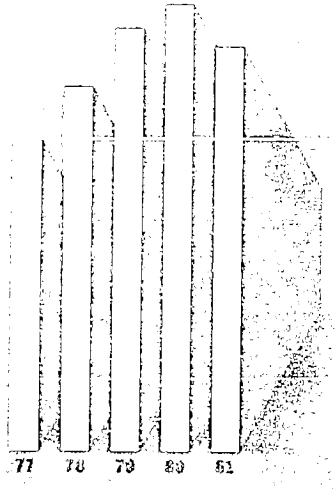
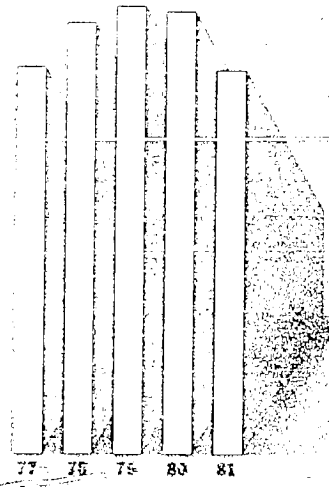


Earnings Per Share
Dollars



Return on Total Capital
Percent

Annual Meeting

The Annual Meeting of Shareholders will be held at 10:30 a.m. on Thursday, May 6, 1982, at The Westin Hotel, North Michigan Avenue at Delaware Street, Chicago, Illinois.

SEC Form 10-K

The company's Annual Report on Form 10-K filed with the Securities and Exchange Commission is available upon request and may be obtained by writing to the Secretary, Dart & Kraft, Inc., 2211 Sanders Road, Northbrook, Illinois 60062.

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Financial Highlights

Dart & Kraft, Inc. and Subsidiaries

	1981	1980	1979
	(Dollars in millions, except per share)		
Net sales	$10,211	$ 9,411	$ 8,824
Net income from operations	$ 401	$ 375	$ 358
Per share	$ 7.35	$ 6 89	$ 6 59
Non-operating items after taxes on income	$ (53)	$ 8	$ 2
Per share	$ (99)	$ 14	$ 03
Net income	$ 348	$ 383	$ 360
Per share	$ 6.36	$ 7 03	$ 6 62
Provision for taxes on income	$ 296	$ 330	$ 333
Per share	$ 5.43	$ 6 06	$ 6 12
Dividends to shareholders—	$ 185	$ 150	$ 132
Per share of common stock:			
Dart & Kraft	$ 3.40	$ 80*	$ —
Kraft	$ —	$ 2 40*	$ 3 00
Dart	$ —	$ 1 50*	$ 1 80
Capital expenditures	$ 346	$ 337	$ 257
Depreciation	$ 198	$ 153	$ 143
Return on total capital	11.3%	13.0%	13.2%
Shareholders' equity	$ 2,718	$ 2,621	$ 2,383
Return on average equity	13.0%	15 3%	15.9%
Number of shareholders	83,393	86,050	89,747

*1980 dividends—Dart & Kraft, fourth quarter only Kraft and Dart Industries, first three quarters only

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Letter To Shareholders

Warren L Batts

John M Richman

To Our Shareholders:

Financial results for 1981 were satisfactory considering soft economic conditions in most countries and the effects of actions taken during the year to improve our long-term performance Sales were $10.2 billion in 1981; and net income was $347.5 million, or $6 36 per share, 9.3 percent below last year Included in the per-share figure are non-operating charges of 99 cents, which, among other items, incorporates a loss of $1 20 from the sale of Thatcher Glass Manufacturing Company, and a 43-cent foreign currency translation gain Excluding these items, operating results were $6 92 per share All four product segments achieved gains on a continuing-operations basis Considerable detail regarding these results and actions is contained in the section beginning on page 31

Quite apart from financial performance, 1981 was a year of transition, a time to organize our new company and to set goals and objectives. We continue to believe that the basic strengths of our businesses and the magnitude of our financial resources will enable us to become one of the best-performing companies among our peers in earnings growth and return on total capital This was our vision when we merged Dart Industries and Kraft, and attaining this goal is the motivating factor in the strategic decisions we have made.

As we turn our attention to the direction we must take to achieve the qualities of an outstanding performer, we are mindful that strategic planning is a continuous—not a static—process, which has been referred to, correctly we think, as "incremental adjustment to unfolding events." This matter of direction is particularly challenging in Dart & Kraft because of the many options and substantial resources available to us as a result of the combination of two solid, well-financed companies.

We welcome this opportunity to share our thoughts about the kind of company we seek to be In general, the primary focus will be to build on our leadership position in branded food and other consumer products. The foundation of Dart & Kraft is its strong consumer businesses, which in total account for over 80 percent of continuing earnings, and represent a fine mix of high-growth, high-return and cash-generating companies.

Focusing on consumer products does not mean that we will not retain, fund or acquire businesses in non-consumer areas, as we fully intend to pursue businesses with above-average growth and return potential Nor do we expect to retain all operations merely because they are consumer-related. We continually review our units to determine their long-term contribution to our strategic and financial goals. They must measure up in terms of growth, return and/or cash generation as we intend to devote funds only to those operations that will enhance your investment.

Where this is not the case and where it is clear that we cannot reasonably expect to improve potential, such businesses will be de-emphasized or divested. In 1981, we sold businesses with assets of more than $275 million, generating over $600 million in revenues and $35 million in operating income From these sales, cash proceeds of over $160 million have been used to reduce short-term borrowings. Actions such as these should make it clear that size, for its own sake, is not part of our corporate objective Size is only significant in terms of our competitive position in the marketplace

The purchase of Hobart Corporation during 1981 is an example of acquiring a company which gave us market leadership in businesses closely related to many of our own—food processing equipment and consumer appliances As stated in our tender offer, we are working diligently with Hobart management to improve the company's effectiveness in several areas. Accomplishments to date have been primarily in productivity, such as plant consolidations; personnel reductions; centralization of certain functions, including purchasing; and reduction in inventories Hobart is being positioned to perform at a lower-cost/higher-profitability level and should benefit when the economy improves, thus stimulating demand for commercial equipment and home appliances.

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As Dart & Kraft evolves, we will be building on four inherent strengths—or what we regard as competitive advantages—people, distribution and marketing, technology, and financial resources.

We have a team of exceptional managers qualified to build new businesses, to keep maturing companies fresh and vital, or to judge when an operation can no longer contribute satisfactorily to our growth.

These broadly experienced line and staff executives benefit from our other three competitive advantages. Chief among these is distribution and marketing strength We have extraordinary capability to reach diverse markets. Kraft has the largest and, we believe, the most effective sales force in the packaged food industry When it comes to direct selling, Tupperware sets the standards of quality and integrity in home-party selling Its independent dealer, manager and distributor team has no rival.

Duracell's success has been dependent on its ability to distribute widely through food chains, drug stores, mass merchandisers and specialty shops *West Bend* and *KitchenAid* are familiar brand names in department, appliance and other retail stores. *Hobart* equipment and certain product lines within the Chemical-Plastics Group, including *Wilsonart* laminates, reach important industrial and commercial customers. Innovative marketing is integral to our businesses, and many examples are described elsewhere in this report

Another competitive advantage we intend to build upon is technology and our resultant ability to improve and develop products and processes that will permit Dart & Kraft to achieve and maintain greater market leadership. We support increased research and development in businesses that warrant it and will monitor closely the effectiveness of this investment.

Finally, Dart & Kraft has the resources to fully fund existing and foreseeable growth opportunities This advantage is strategically important not only in expanding businesses but also in providing the staying power needed in significant, new competitive situations.

In general, our ongoing financial strategy will be to remain a solid, double-A rated company. This, of course, will not preclude our taking advantage of an unusual opportunity that might result in a period of temporary adjustment. We are committed to a strategy that is basically conservative in structure, but opportunistic as well.

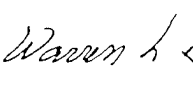
During the year just ended, we invested $346 million in new capital equipment to expand capacity, improve productivity and maintain facilities. Consistent with the concept of steady but conservative dividend growth when appropriate, the quarterly dividend was increased 5 cents per share in both 1981 and 1982. At present, on an annual basis, your dividend is $3.60 per share.

In accordance with our policy regarding tenure of directors, Curtis Barkes, Edward E Carlson, William T Gossett and Holmes Tuttle will not stand for reelection in 1982. They served Dart Industries with distinction and brought their insight and dedication to the board of Dart & Kraft. It is heartening to know that their wise counsel will be available to us in the future.

On a more somber note, Peter G. Viele, president of Duracell International and a group vice president of Dart & Kraft, died February 13, 1982. His loss will be deeply felt Under his direction, Duracell achieved preeminence in its field. Another mark of his excellent managerial abilities was the manner in which he developed and supported the people who worked with him, thereby building Duracell's organizational strength. We expect that his successor, William L Jackson—previously executive vice president of Duracell International and president of Duracell North America—will maintain and enhance the company's leadership in the high-performance alkaline battery business

In closing, Dart & Kraft is strong and well-positioned to become stronger. Now that the merger-related issues are satisfactorily behind us, our attention is focused on achieving the goals we have set for the future. Dart & Kraft is a good company, solidly on its way to becoming a great one

Sincerely,



Warren L Batts
President

John M Richman
Chairman and
Chief Executive Officer

March 15, 1982

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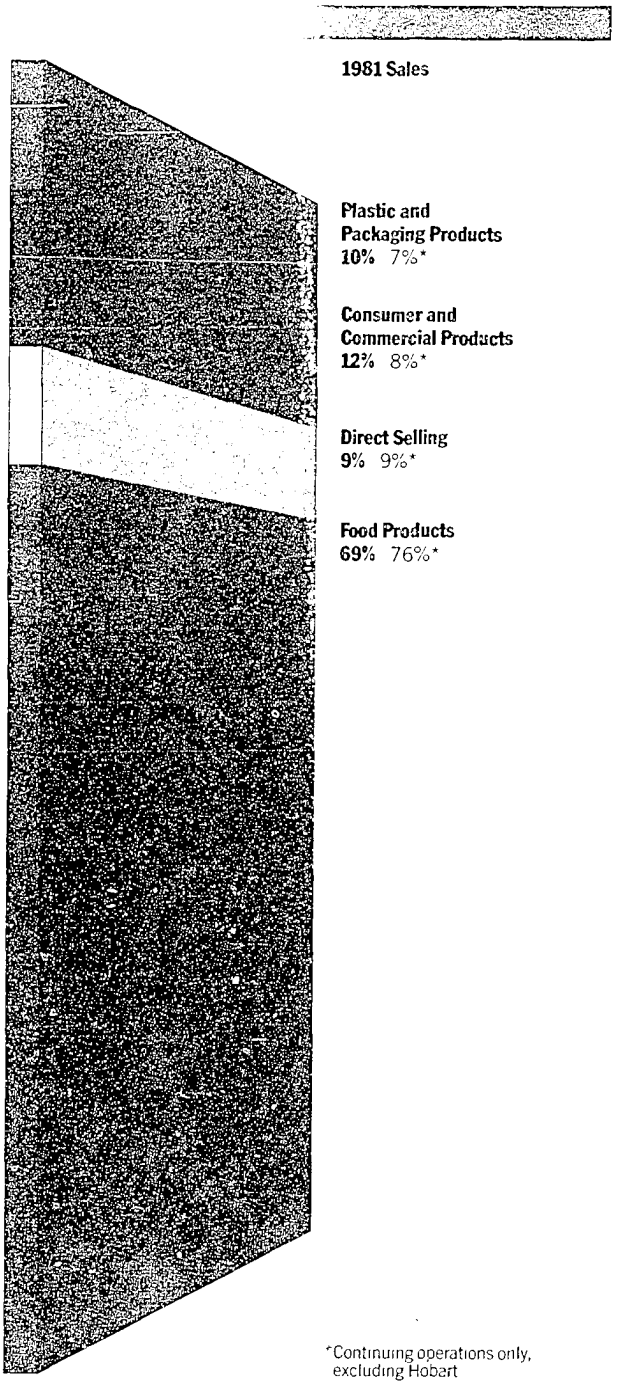
This is Dart & Kraft



*Continuing operations only, excluding Hobart

Dart & Kraft, Inc. is a multinational food, consumer and commercial products company. It is — Kraft cheese, Tupperware home parties, Duracell batteries, KitchenAid dishwashers, West Bend appliances, and Sealtest ice cream. It is a corporate enterprise owned by more than 83,000 shareholders. Dart & Kraft is also 88,000 employees, each committed to serving the needs of customers in over 130 countries. Its businesses have distinctive technologies, strong brand identification and leading market shares.

There is considerable difference in the size of these businesses, and a number of them are in relatively mature, highly competitive markets. But substantially all have the potential for sustained and expanded growth. To succeed, each of these com-

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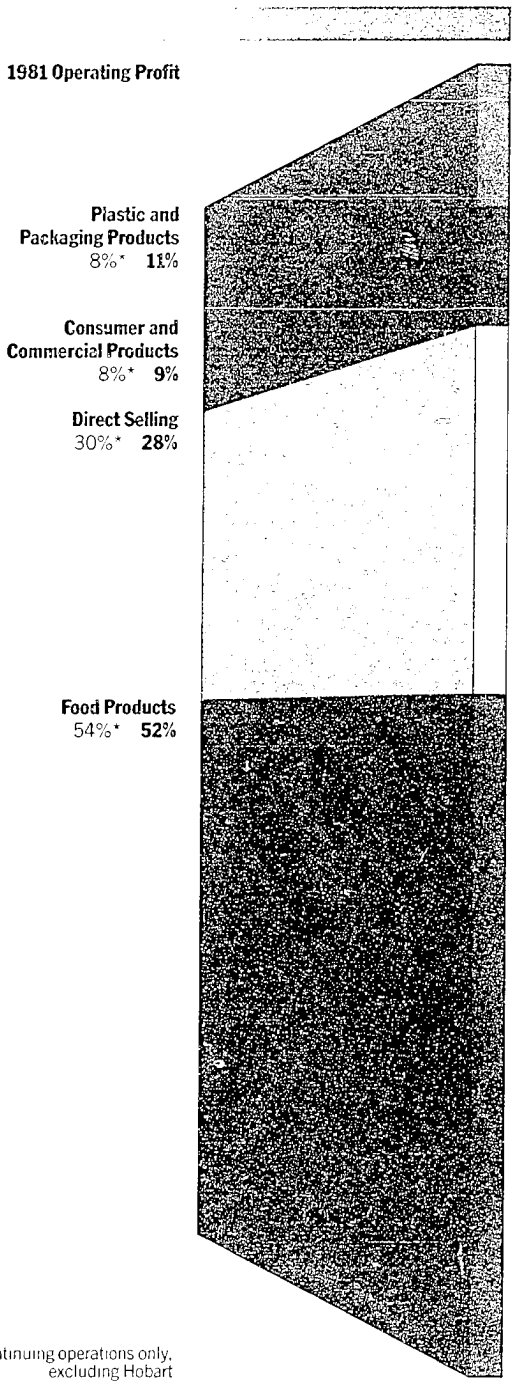
panies must act independently in its markets and with its customers.

Some of the more mature companies generate significant amounts of capital, which can be profitably employed by other units that show promise of rapid and sustained growth. In fact, some businesses are already growing at satisfactory rates; and, with increased investment in technology, they have the potential to grow at an even faster pace.

Other companies contribute a high rate of return on total capital, in a number of cases better than 15 percent after tax. In combination, Dart & Kraft has exceptional financial strengths and the balance of businesses necessary to be among the outstanding performers in its industry peer group.



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Food Products

Kraft operates in more than 15 countries. In the United States, Kraft is organized into four groups: Retail Food, Dairy, Foodservice and Industrial Foods

Retail Food Group products include *Casino* natural mild cheeses, *Cracker Barrel* brand natural cheddar, *Kraft* American Singles pasteurized process cheese food, *Miracle Whip* salad dressing, *Parkay* margarine, *Philadelphia Brand* cream cheese and *Velveeta* pasteurized process cheese spread. Other lines include citrus products, barbecue sauce, pourable dressings and packaged dinners

The Dairy Group supplies frozen desserts, cultured and other dairy products under the *Breyers, Sealtest, Breakstone's* and *Light n' Lively* labels. Marketed principally in the Eastern half of the United States, the product lines include ice cream, sherbet, cottage cheese, yogurt and sour cream.

The Foodservice and the Industrial Foods Groups provide an assortment of specialized products to restaurants, institutional food operators, food processors and manufacturers. A major component of the Industrial Foods operation is refining edible oils for use in salad dressings, in shortening and as cooking oil. This group also supplies cheese products, snack seasonings, nondairy proteins and many other essential food ingredients

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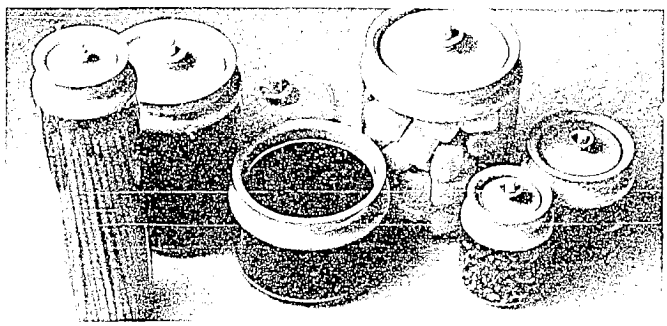
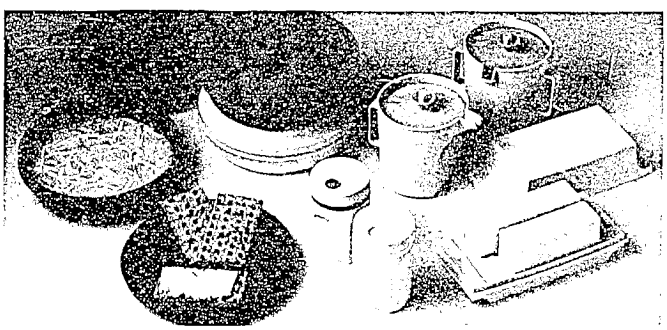
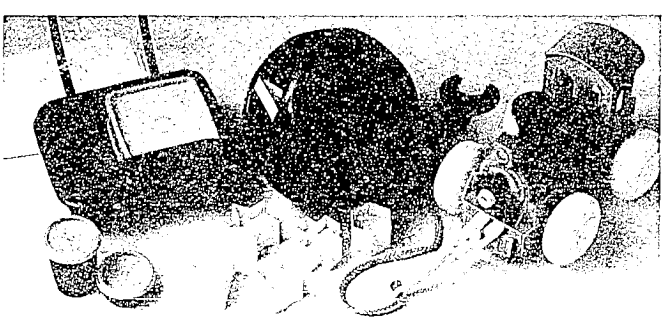
Direct Selling







Tupperware International, Dart & Kraft's principal direct-selling operation, offers its high-quality plastic products through the home party plan in more than 30 countries. The company's success is built on personalized service and a consistently top-quality product line developed to serve a variety of consumer needs.

The introduction of products nearly every 60 days has always played an important part in Tupperware's growth, as have special promotions designed to support the dealer, manager and distributor organization in its sales efforts.

This organization has been responsible for a great part of Tupperware's success through understanding its customers, the local traditions which govern the marketplace and the effect of the economy on family budgets.

The company sells a wide range of food preparation, storage and serving containers; hostess accessories; toys; and planting systems. *Tupperware* products are guaranteed against chipping, breaking or peeling under normal use. Although Tupperware continuously offers new items, three of its 20 best-selling products have been part of the line since 1958.

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Consumer and Commercial Products

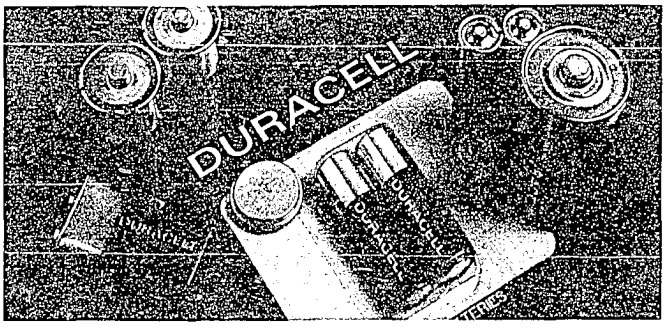
Companies included in the Consumer and Commercial Products segment manufacture and market batteries, major appliances, housewares and food-preparation equipment through a broad spectrum of distribution channels

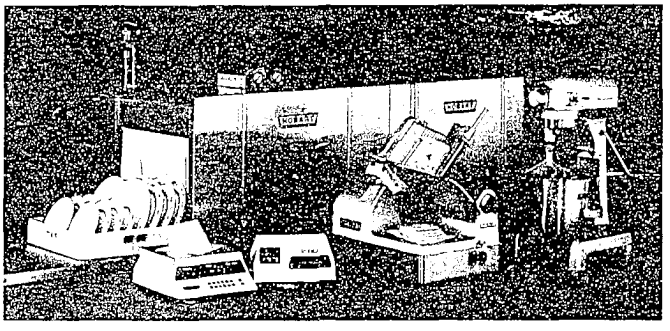
Duracell is the world's leading producer and marketer of high-performance alkaline, mercury, silver oxide and lithium batteries for use in a variety of consumer products and industrial- and government-related equipment.

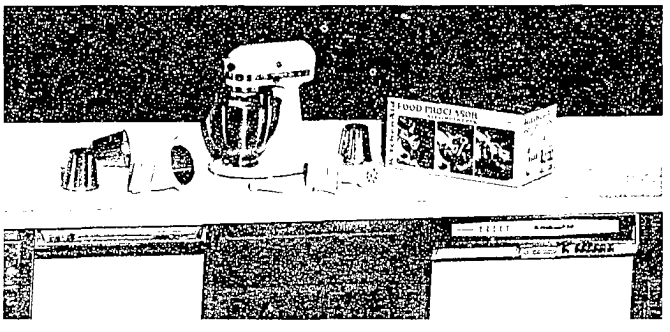
Long recognized for the quality of its product lines, Hobart manufactures mixers, slicers, meat grinders, dishwashers, waste disposal systems, computing scales, wrapping and labeling machines, refrigeration units, cooking equipment and various other products for foodservice, food retailing and food processing operations

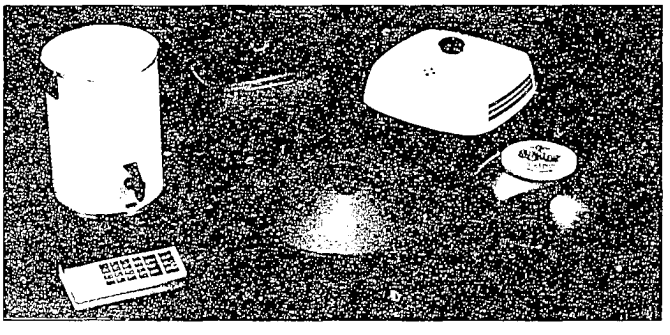
KitchenAid home appliances, in addition to one of the top-selling dishwasher lines in the United States, also include trash compactors, food-waste disposers, mixers, hot-water dispensers and coffee mills.

West Bend manufactures a well-known line of buffet appliances, beverage makers, cookware, humidifiers and electric timers. These products are distributed in the United States and Canada









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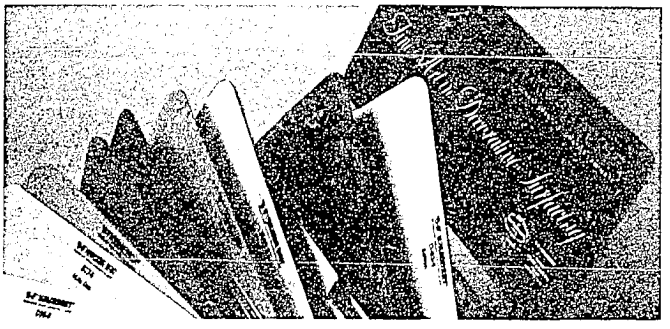
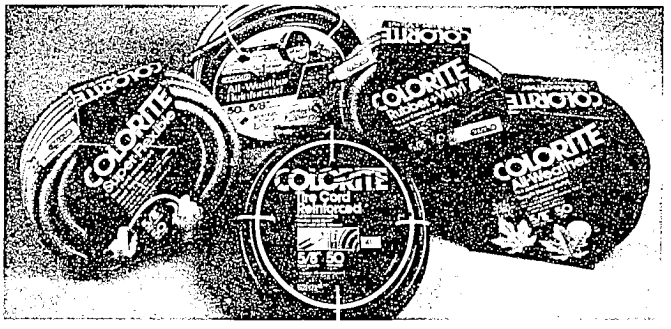
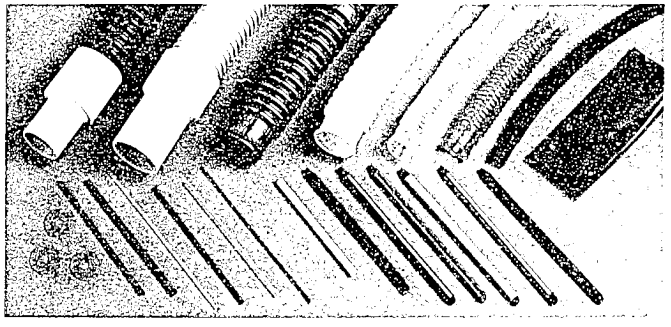
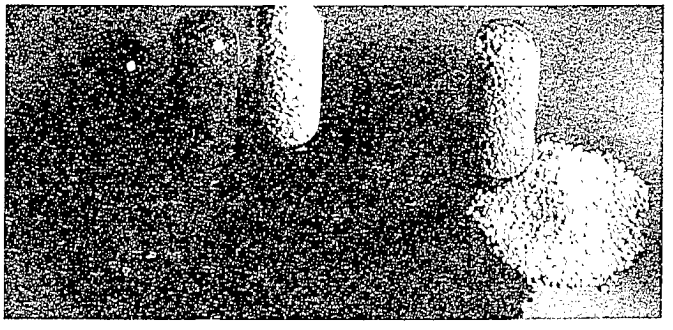
Plastic and Packaging Products









Plastic and Packaging Products businesses manufacture chemical specialties and plastic processing materials for applications ranging from rubber additives and plastic colorants to folding cartons and plastic packaging for food

Wilsonart decorative plastic laminates are used in home and commercial construction, remodeling and furniture manufacturing It is the best-selling product of its type in the United States

Colorite garden hose is another U S market leader Colorite is also one of the largest compounders of nontoxic plastics used in food packaging and hospital products

Action Technology, manufactures precision plastic components—including extruded tubing, corrugated hose, tubing for ball point pens and aerosol dispensers—all products that serve consumers indirectly

Wilson-Fiberfil International produces color concentrates as well as fiberglass reinforced and filled thermoplastics These products enhance the performance and appearance of plastics in end products ranging from cameras to automotive components

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Food Products

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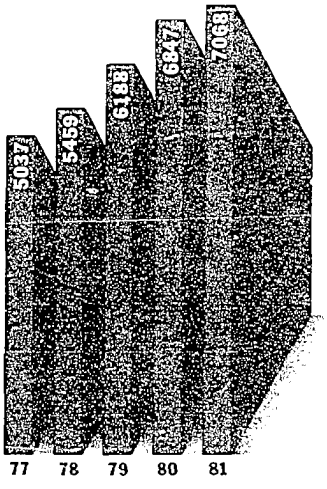
Bud Woelfle (right), Kraft president, and Tom Quinn, head of Canadian operations, observe first-hand the leading position of Kraft cheese in that country.



Food Products
Sales Millions of dollars

The worldwide retail, foodservice and industrial foods operations of Kraft comprise the Food Products segment of Dart & Kraft. In 1981, Kraft produced 69 percent of Dart & Kraft's total sales and 52 percent of operating profit. Sales for the segment increased 3 percent, and operating profit was up 11 percent.

During the year, a softening economy worldwide affected the pattern of consumer food purchasing. Some shoppers were willing to forego the added value of a branded product, and instead selected lower-priced items as a means of stretching their food dollar. The cost/value relationship built into Kraft products, coupled with aggressive, promotional marketing techniques and superior distribution capability, all contributed to maintaining consumer loyalty to Kraft's well-known food brands in 1981.

Overall, the U.S. Retail Food Group had a good year, with improved tonnage in most product categories. Aided by productivity improvements, margins increased measurably during the first six months, which, in turn, laid the foundation for timely marketing and advertising programs designed to increase volume during the latter half of 1981.

In recent years, natural cheese has been a growth business as more and more consumers have increased the total percentage of these cheeses in their diet. In 1981, Kraft natural cheese tonnage increased over 1980, as did sales and operating profit. Contributing significantly to this growth was the repositioned *Casino* line of mild natural cheeses.

New products and new product categories are integral to the growth of a successful food company. About 15

Kraft's reputation for quality food products is international in scope. Recognizing the regional dietary customs and taste preferences within national boundaries, Kraft develops products and marketing programs accordingly. This approach has enabled the company to establish a local identity in many countries where it also utilizes local raw materials, labor supply and capital.

Operations outside the United States contribute just under 25 percent of Kraft's operating profit. Last year, Kraft Limited of Canada continued its record of sales, tonnage and profit growth. For Europe, 1981 was a year of improvement, although results varied from country to country. Germany showed an increase after several years of decline; and Italy, which is rapidly becoming one of Kraft's best European markets, turned in another fine performance.

Halfway around the world, the well-established Australian company maintained its strong growth. Latin American operations differed from location to location. Good progress was made in Mexico, which is emerging as a major world market.

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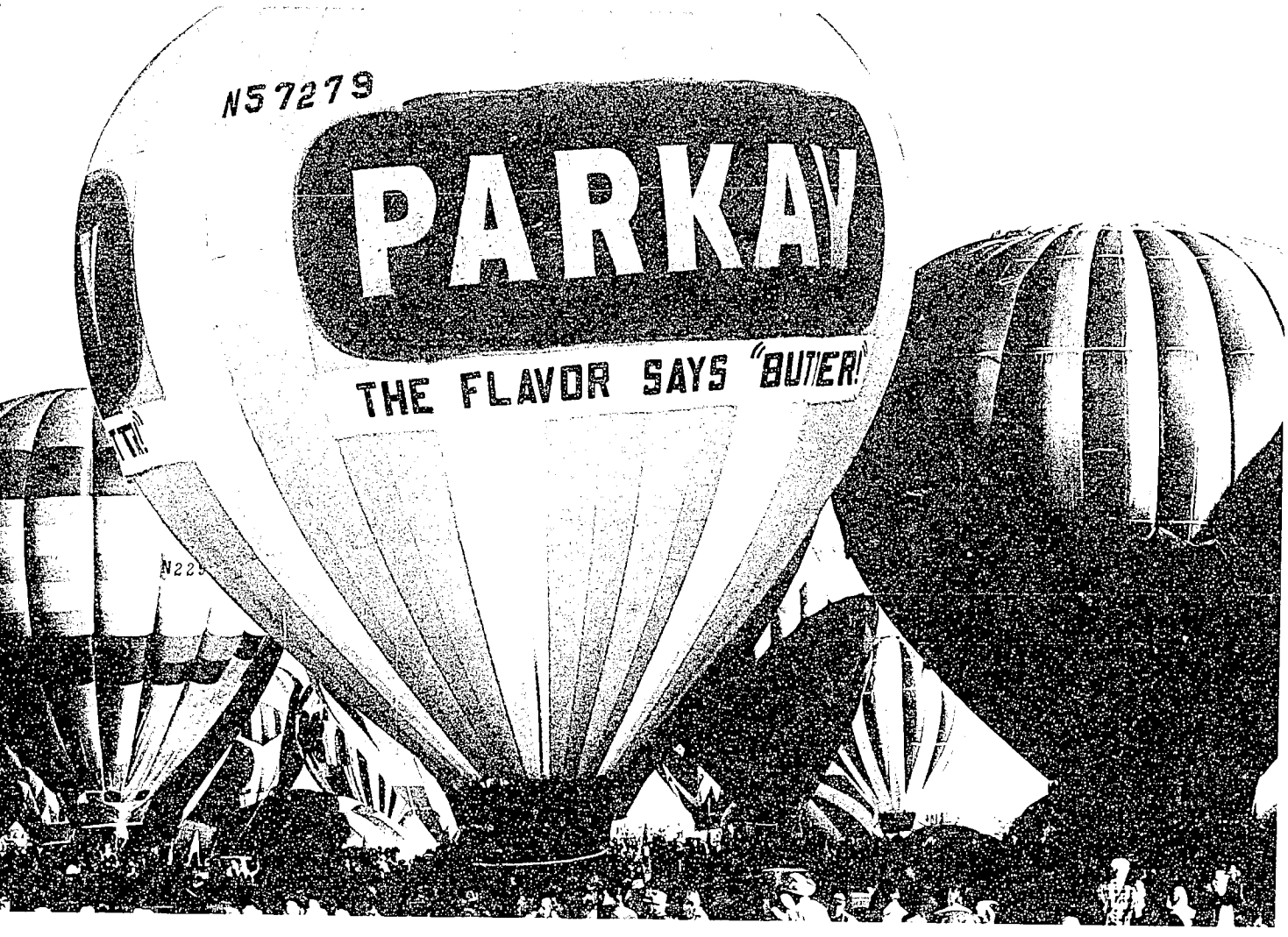

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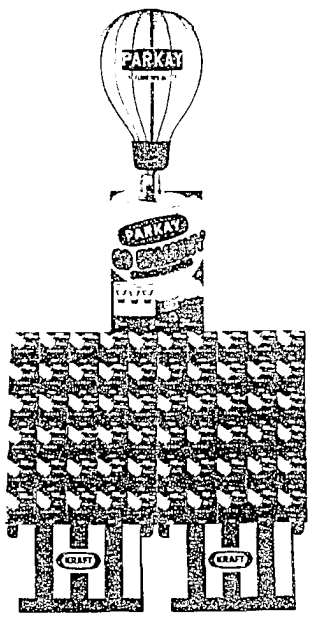
New flavors ring up new sales for established lines

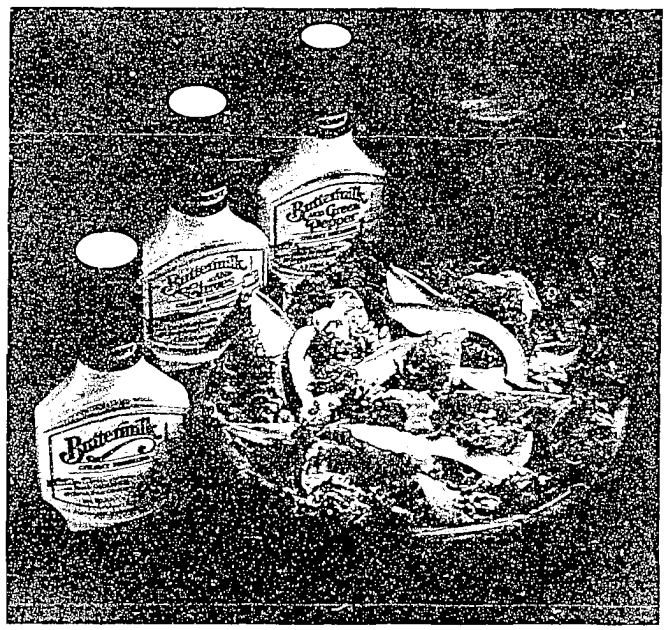


percent of Kraft's incremental sales over the past five years resulted from products not previously offered by the company. Where possible, Kraft capitalizes on brand awareness and consumer trust when bringing new products to market.

A classic example of the effectiveness of this approach is the introduction of soft *Philadelphia Brand* cream cheese. A technological breakthrough by Kraft researchers enabled the company to respond to consumer requests for a smoothly spreading *Philly* right from the refrigerator. The product went into national distribution during the very year that the 100th Anniversary of the traditional brick *Philadelphia Brand* cream cheese was being commemorated with special promotions. Sales of the total line rose 15 percent, with both tonnage and operating profit increases.

A similar strategy involving *Velveeta* pasteurized process cheese spread is underway. Kraft R & D, production and engineering innovation has resulted in a process for the manufacture of this highly nutritious product in convenient slices. Now in regional distribution, individually wrapped *Velveeta* pasteurized process cheese slices are expected to expand the company's impressive market share in this profitable product category.

Kraft's sensitivity to changing consumer tastes, lifestyles and nutritional requirements is essential in maintaining the vitality of successful product lines. During 1981, Kraft introduced three buttermilk-based pourable salad dressings, two oil-free varieties and another reduced-calorie dressing. In the same period, the company also



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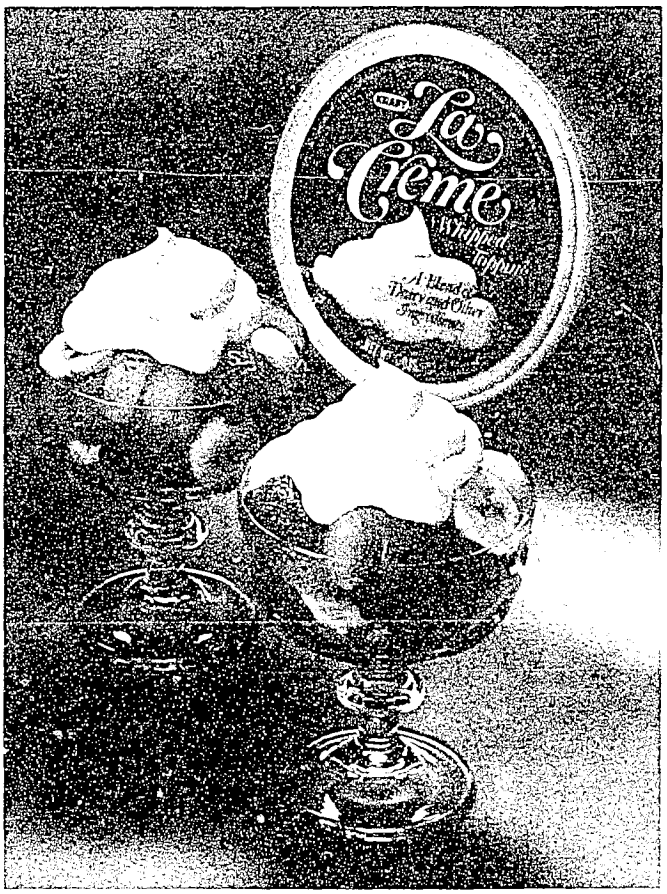
Kraft moves into the frozen whipped topping market with La Creme, *a premium brand*



Nutrition-conscious consumers add a "South of the Border" touch to cottage cheese.

retired certain flavors that had declined in acceptable market share

Kraft dinners, pioneer of the packaged-dinner industry, account for over half of this large market. Although profit increased for the line in 1981, sales tonnage was below the growth registered for the total industry category. As a countermeasure, Kraft is taking a more aggressive marketing approach for this family staple in 1982. Meanwhile, consumers in test markets are responding favorably to Kraft's *a la Carte* entrees in single-serving retort pouches. Retort packaging of foods is still an emerging technology in need of further engineering refinement to increase productivity speed and efficiency. The *a la Carte* line, however, is off to a good start in becoming an important food of the future.

The Dairy Group increased operating profit last year This reflected its emphasis on frozen desserts and cultured dairy products, where the value-added concept works to the benefit of both the company and the consumer. Branded, packaged ice cream tonnage was up 5 percent. Thus, the company regained most of the market share lost during 1980, when two key plants closed for several weeks due to labor difficulties.

Last year, the Dairy Group also continued its planned de-emphasis in certain markets of the fluid milk business where there is less opportunity to provide a benefit to the consumer from a value-added standpoint. In another action, the majority interest in Dominion Dairies Limited of Canada was sold at a profit; and the proceeds were used for working capital purposes

Kraft's Foodservice Group operates a network of broadline distribution centers in most major metropolitan mar-

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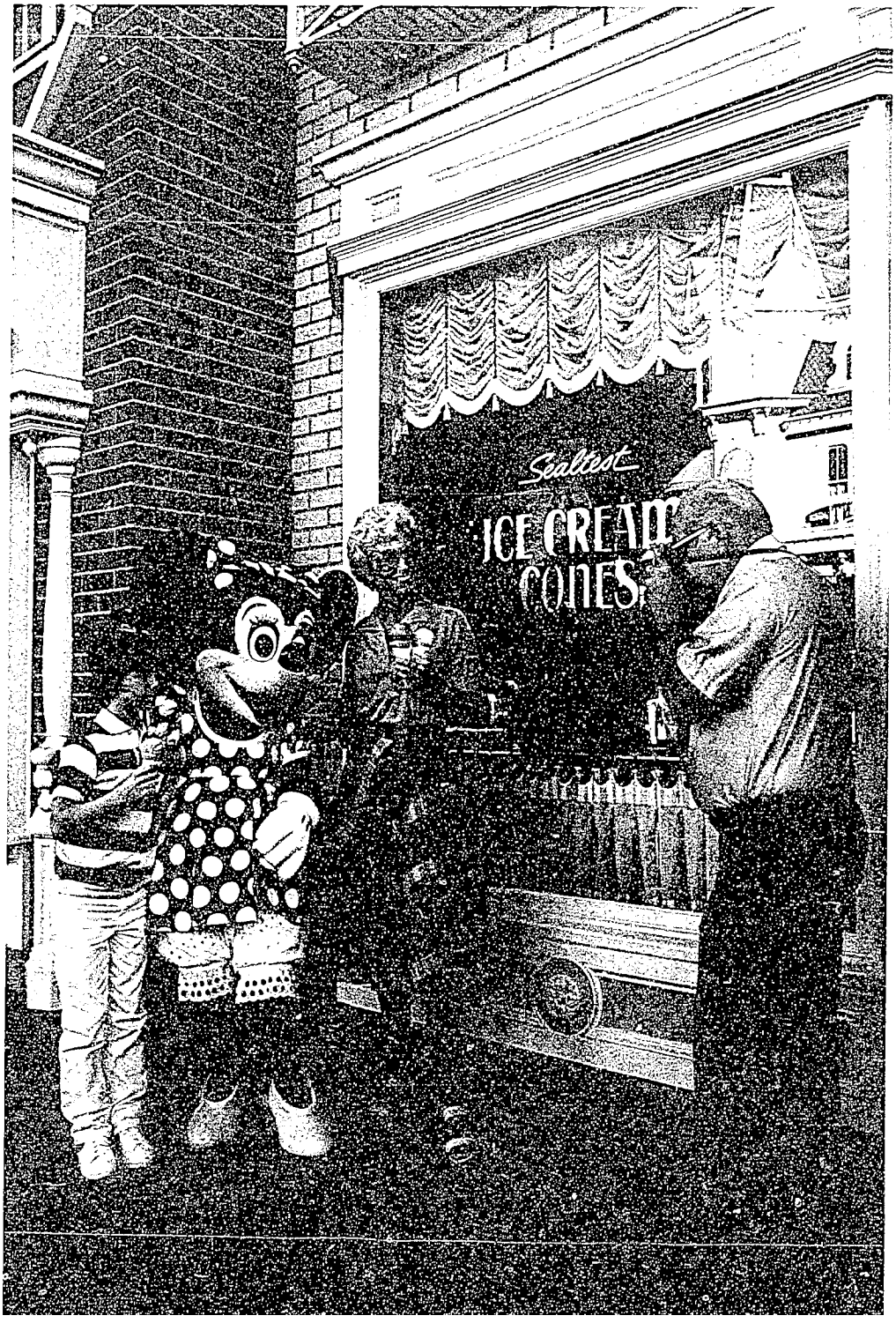
Walt Disney World now offers its guests Sealtest *ice cream exclusively*



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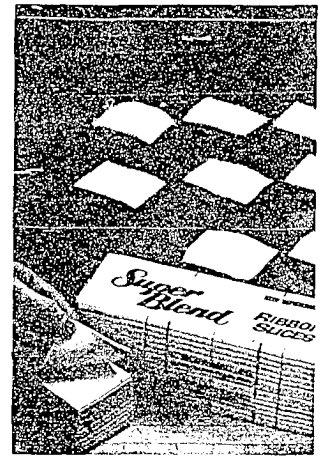
Many varieties of edible oils are refined to the specifications of industrial and retail customers

Foodservice operators hold costs in line with SuperBlend *imitation pasteurized process cheese*



kets, offering food and related non-food items to restaurant and institutional foodservice operators Each distribution center can serve as a single source for most items required by mass-feeding establishments One of the Foodservice Group's greatest strengths is its ability to develop special products for exclusive use in various foodservice businesses Since first achieving an essentially national distribution capability, Foodservice has operated in an industry with a rate of growth that has slowed due to economic conditions and the cost of energy. Through competitive pricing, tonnage rose in 1981 and again exceeded industry growth However, increased costs reduced operating profit Improvement of the profitability of Foodservice operations has a high priority

The Industrial Foods Group increased sales, tonnage and operating profit in 1981. The market continues to grow for customized refined edible oils and other ingredient products. Historically, this specialized service has been a great competitive strength of Kraft's industrial foods business Today, it makes more than one-half of its bulk products to customer specifications.

In total, the profitability, stability and size of Kraft's operations contribute significantly to Dart & Kraft's great financial strength. They also provide steady, predictable profit growth and a vital balance to the risks that Dart & Kraft can then accept in other business segments

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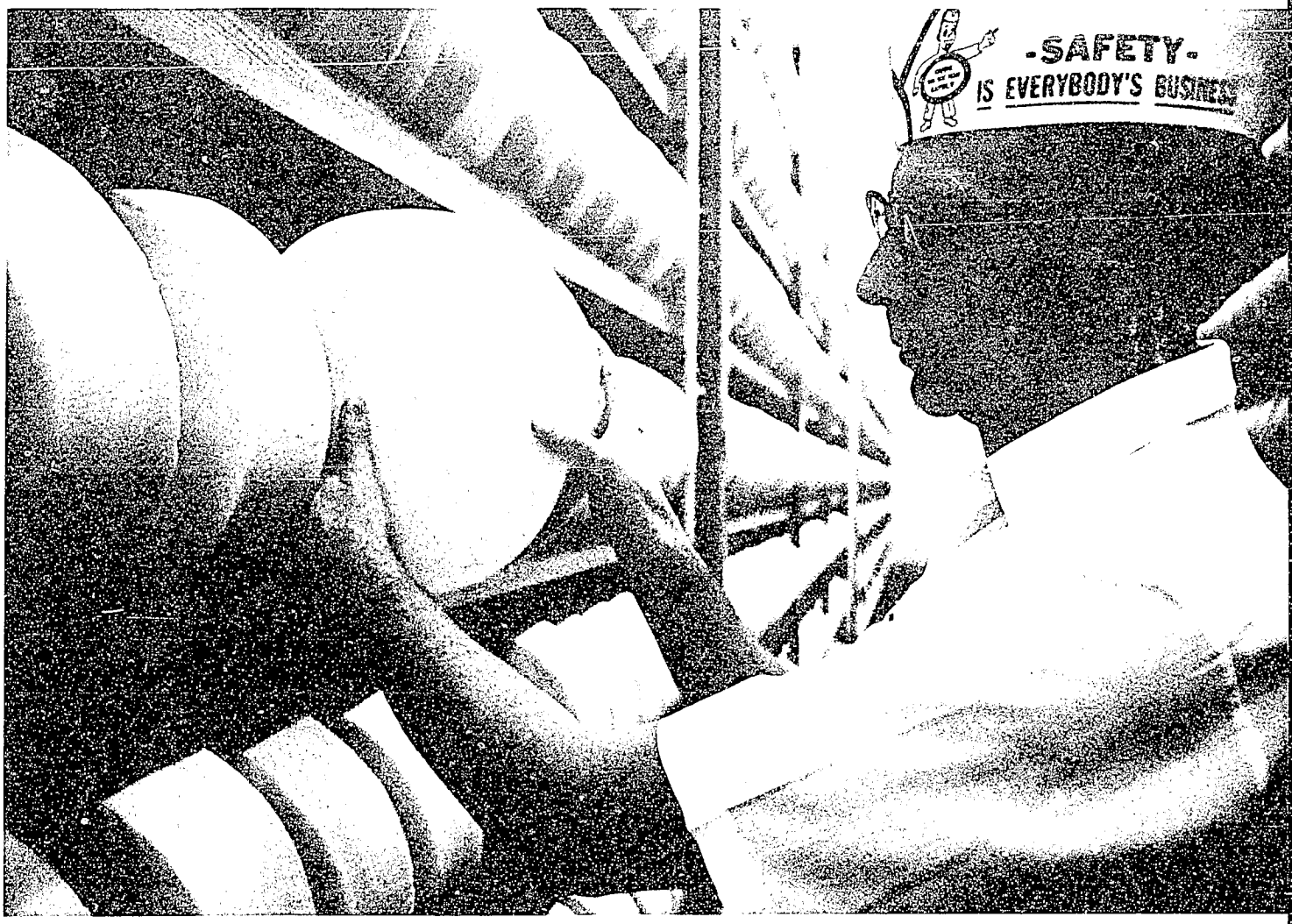
Strict temperature and humidity control are essential to the proper ripening of quality parmesan cheese



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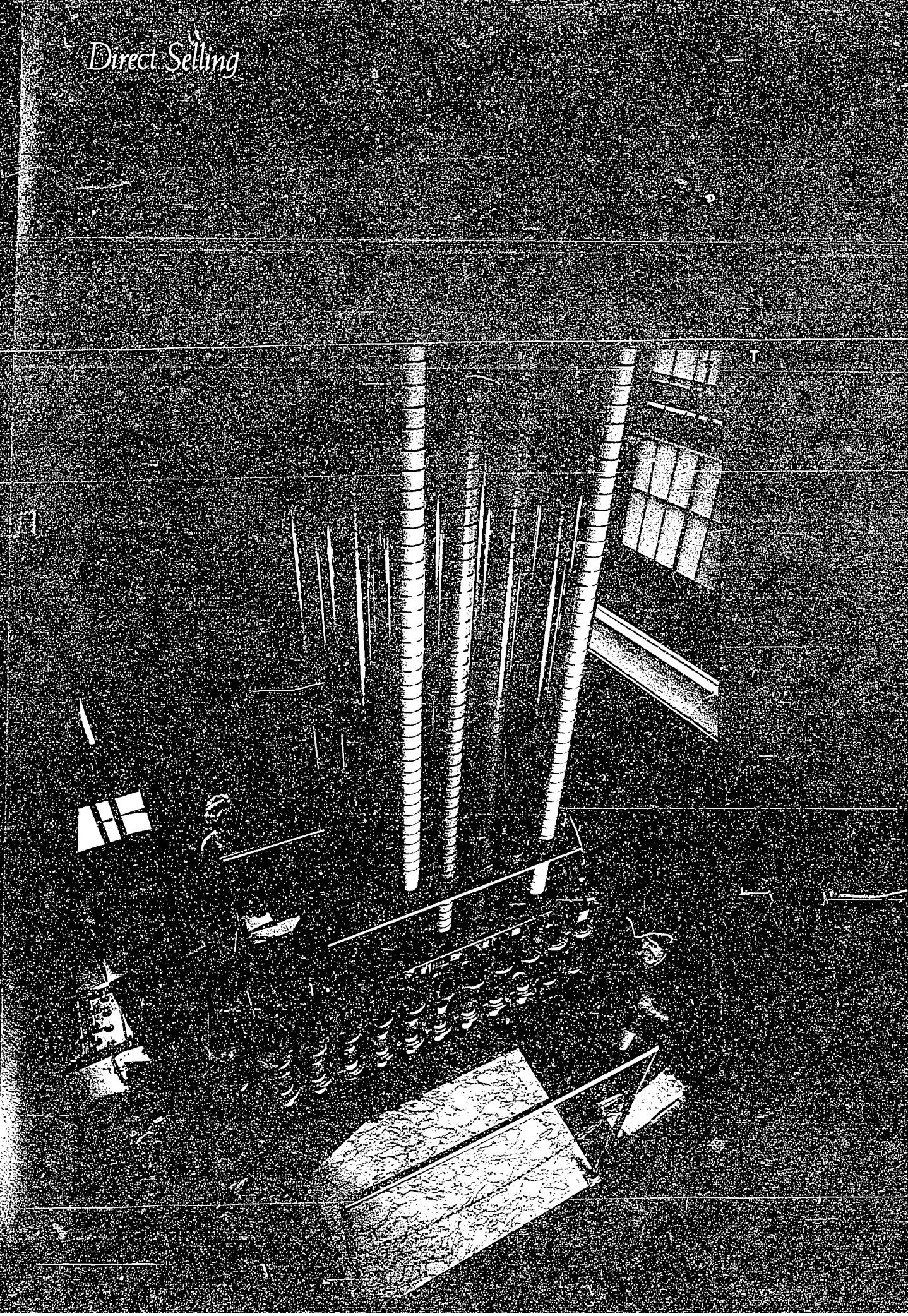

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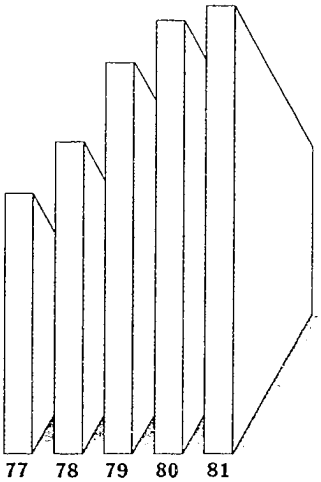
oe Hara, president of Tupperware International, tells how the company offers the full spectrum of personal opportunity



Direct Selling
Sales Millions of dollars

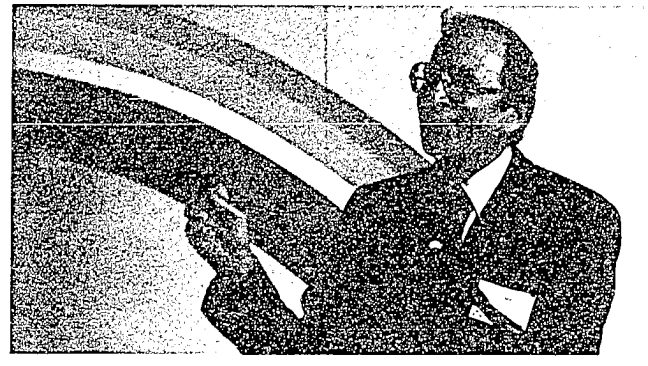
The Direct Selling segment, which now consists principally of Tupperware International, increased 3 percent in sales and 9 percent in operating profit last year. Tupperware had another record year, accounting for 28 percent of Dart & Kraft's operating profit on sales of only 9 percent. *Tupperware* continues to be the number-one brand name worldwide in high-quality plastic containers for the preparation, storage and serving of food.

All of the indicators important to the continued success of Tupperware were up in 1981—retail sales, home parties, attendance at these parties and sales per party.

Each of Tupperware's geographic sales areas—North and South America, Europe, Africa and the Pacific—reported profit increases last year. Operations outside the United States contributed over 50 percent of 1981 sales and operating profit.

The number of dealers worldwide grew substantially; and, at year end, Tupperware had a trained direct-selling organization in excess of 250,000 people. Significantly, the field sales force increased in every geographical area. With this growth, more opportunities occurred for successful dealers to advance to unit manager and to share the Tupperware experience through recruiting, training and supervising. Improved training programs, a key to dealer success, were implemented during the year.

In the more than 30 countries where Tupperware operates at least six products are introduced each year. Planning and research already have provided for new *Tupperware* products through 1985. Advance planning for the latter half of the decade is currently in progress.



The self-employed Tupperware dealer, manager and distributor organization is composed of people who have chosen the Tupperware home party plan as a means of economic fulfillment, career satisfaction and personal development. Tupperware provides an opportunity to earn a generous income while helping others and making friends. Exposure to a variety of attitudes and ideas builds valuable knowledge and understanding that enhances each person's growth potential.

In most companies, success and advancement depend mainly on evaluation by others. In Tupperware, people participate by setting their own pace. The home party plan enables them to arrange a flexible schedule that meets both personal and family needs.

Praise and recognition for a job well done come quickly because Tupperware women and men know that being appreciated fulfills an essential human need and increases self-esteem. This stimulates and encourages—and encouragement is the key to Tupperware's success.

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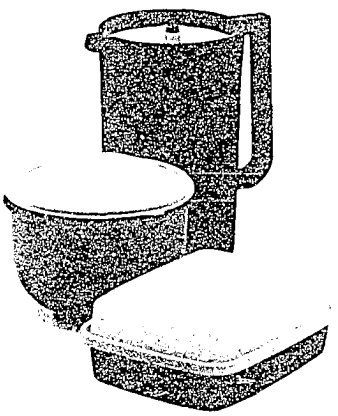
ttending a party is the universal way to have fun and shop for Tupperware *products*

he stars of Tupperware are the products themselves



This research covers new developments in plastics technology to add further refinements and new uses to *Tupperware* containers. Products are also designed to better accommodate the objects they are intended to hold They conform to the system of unit measurement prevalent in each country and often are designed to hold food products specific to a region, such as the Nori, used as a seaweed keeper in Japan. In addition, the company actively studies market trends, consumer attitudes and preferences in color, size and function. Thus, certain familiar *Tupperware* products may vary in size and use from one country to another.

During 1981, Tupperware continued to improve the quality of its products while manufacturing efficiencies helped offset inflationary pressures to a large extent. Productivity increases were implemented through the use of computer-assisted design and manufacturing equipment for the production of molds and new products. A color dispersion system was installed on a worldwide basis, increasing productivity substantially. A computerized, inventory-control program was initiated throughout the organization

Coppercraft Guild and Vanda Beauty Counselor, formerly part of Direct Selling, were sold during 1981.

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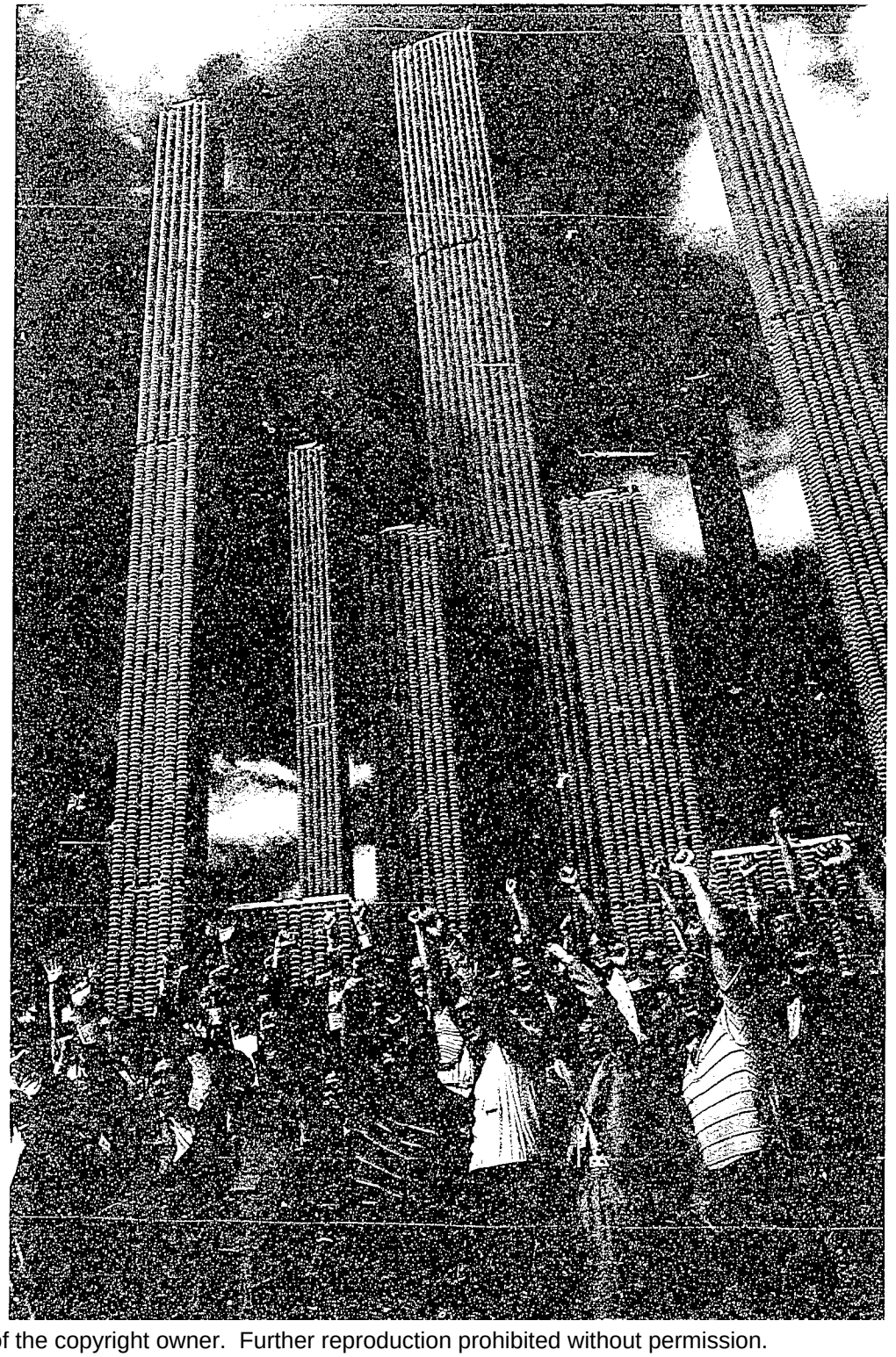
upperware people worldwide signed more than 250,000 Seals of Wonderlier *bowls that were fashioned into a tower symbolizing their commitment to a record number of parties during the first two weeks of 1982 They did it!*



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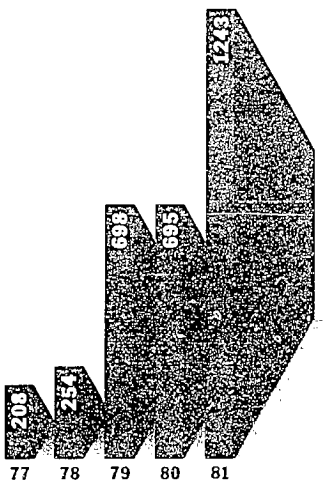
Duracell President Bill Jackson briefs members of his executive team on international marketing strategies



Consumer and Commercial Products Sales Millions of dollars

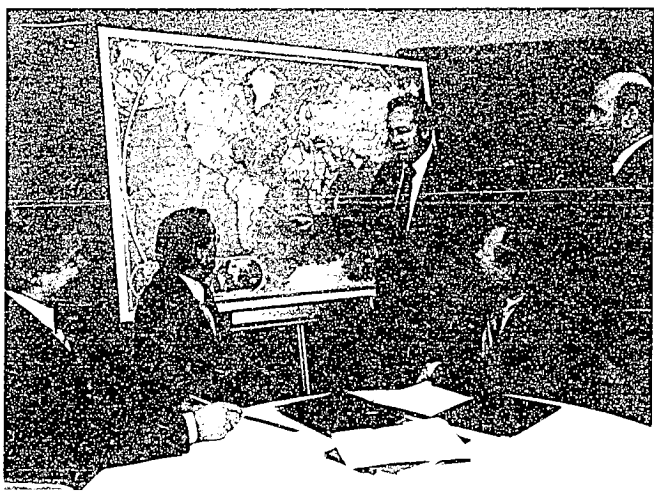
Dart & Kraft's Consumer and Commercial Products segment accounted for approximately 12 percent of sales and 9 percent of operating profit in 1981 Excluding Hobart Corporation, acquired during the first quarter, sales rose 10 percent and operating profit increased 40 percent

Duracell International continued to outperform its industry. The company's high-performance batteries, sold under the *Duracell* brand name, provide a power source for a wide variety of popular consumer products—including cassette recorders, transistor radios, toys and games, cameras, calculators, flashlights, smoke alarms and hearing aids Widely regarded for its marketing programs, Duracell has concentrated on the fastest-growing portable energy category—the longer-life, premium-priced alkaline battery.

Duracell is the only primary battery marketed worldwide under a single brand name and is the largest selling in the total high-performance category This position will continue to strengthen as consumer preference for alkaline batteries increases

The company has made an important commitment to its family of newer lithium batteries with superior operating characteristics At present, lithium batteries are in the early stages of commercial development. However, it is anticipated that in the next several years many consumer products will be designed to use these batteries because of their higher voltage and extended life of up to 10 years.

Geographic expansion has been a strategic factor in Duracell's business development. Recently, it formed a joint-venture company with Sanyo Electric Co., Ltd. to manufacture and sell superior-performing *Duracell* alkaline



Over the past year, as Duracell's business and organization have continued to grow and evolve, management devoted considerable attention to the reorganization and further strengthening of its technical programs and its activities around the world. As the company continues to progress, product and manufacturing innovation will be essential to maintaining Duracell's present position as the world's leading manufacturer of premium batteries. The technological challenge is a motivating force throughout the organization.

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Bill Graham, president of Home and Commercial Products, checks out the full-cycle testing equipment that assures the long life and dependable performance of each KitchenAid *dishwasher.*

The remarkable, new Hobart 5000 *System weighs, computes the price, and labels in one continuous step*

Home and Commercial Products, which consists of Hobart and West Bend, is engaged in a two-phase program designed to make it less sensitive to economic pressures and to position it to capitalize on an anticipated upturn in the market for quality home appliances. To accomplish this, management has placed a priority on productivity improvements and technological innovation. These qualities, combined with the strong marketing and distribution skills inherent in Hobart and West Bend, will further strengthen both businesses.

batteries in Japan. In 1982 Sanyo Duracell Co , Ltd , will begin construction of a plant in Japan In addition to the United States, *Duracell* batteries are produced in Belgium, Brazil, Canada, Mexico and the United Kingdom.

The principal elements of a major capital expansion program in the United States were completed during the year, contributing measurably to improved productivity and operating margins while building capacity for anticipated growth.

The Home and Commercial Products business unit is composed of Hobart and West Bend It is being positioned to take advantage of an anticipated upswing in the home appliance market due to demographic and lifestyle changes, including the maturing of the "baby boom" generation This large population group, of which the two-income household is characteristic, will reach its peak earning and consumption years later in the 1980s. Typically, the working-couple lifestyle creates increased spending for time-saving appliances. The combination of Hobart's *KitchenAid* line with West Bend's products, provides Dart & Kraft with an important share of this market.

Meanwhile, the shorter-term outlook for these businesses is less favorable because consumers tend to defer certain discretionary purchases during periods of high interest rates. The same holds true for the customers of Hobart's comprehensive line of commercial food equipment. Immediate emphasis at Hobart and West Bend is being placed on new product development and improved productivity In 1981, certain plant operations were consolidated; production line procedures were improved; and overhead cost controls were implemented.

In the three quarters of 1981 that Hobart was a part of Dart & Kraft, its profit contribution was exceeded by charges related to the acquisition. Since then, Hobart management has undertaken a strategic review of growth

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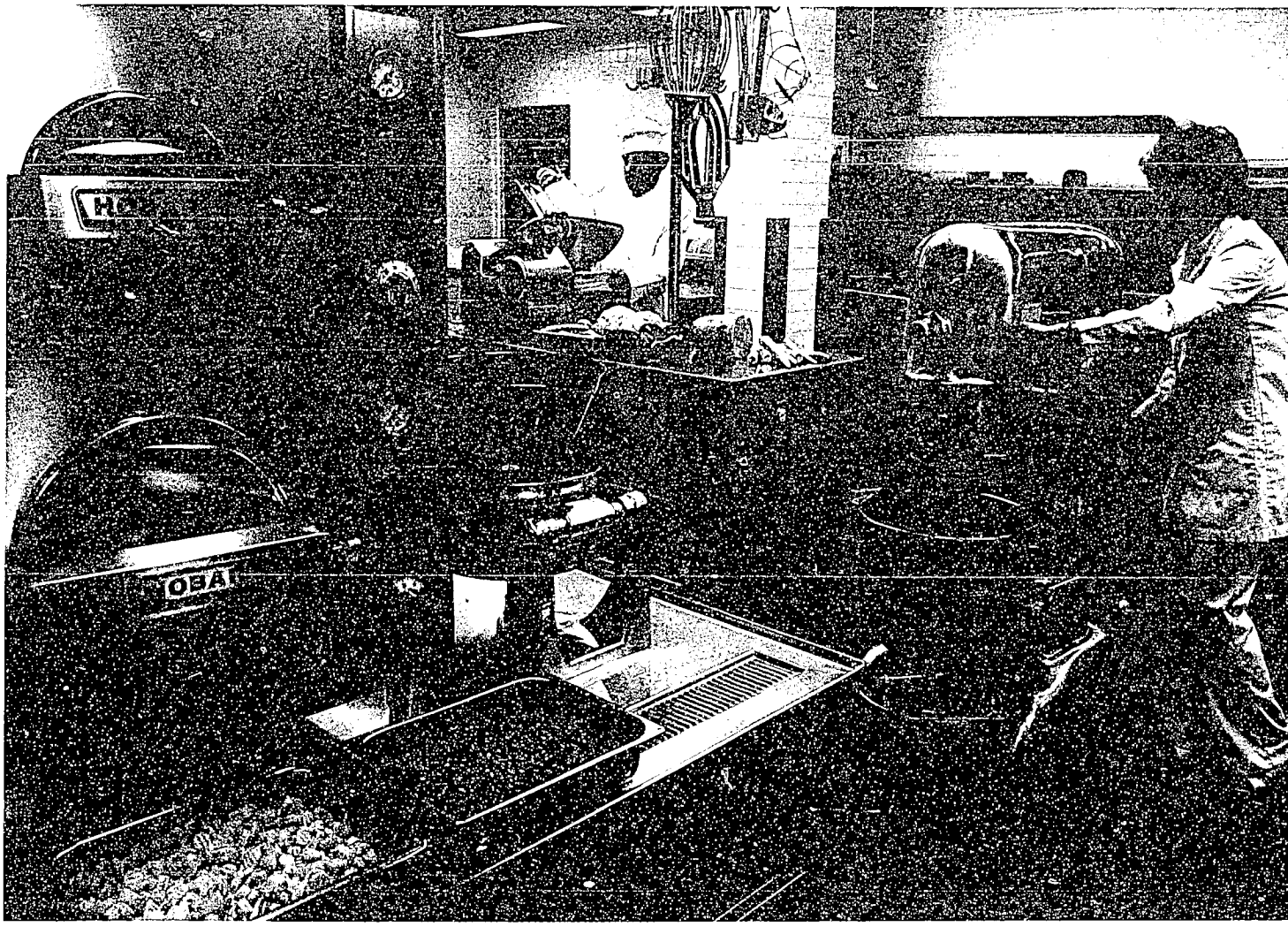
Hobart *commercial appliances make light work of food preparation for institutional kitchen operators*



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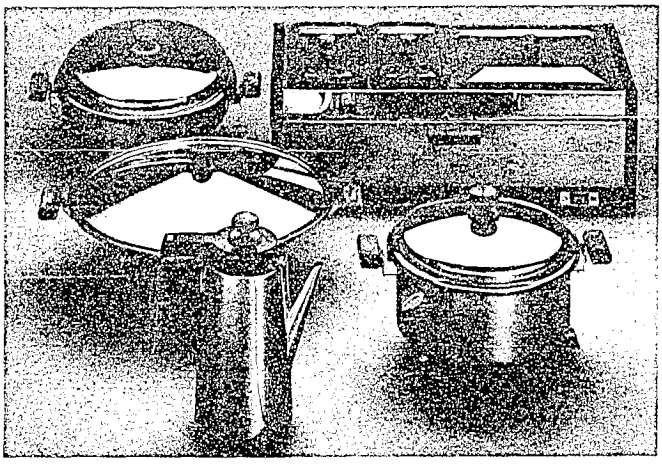
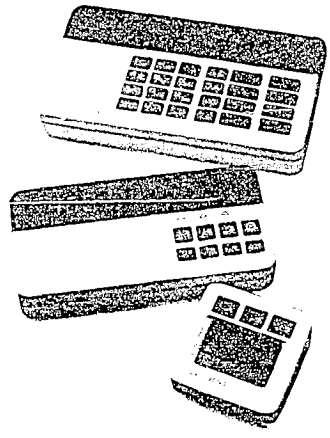
The Discovery Collection transforms utilitarian appliances into elegant entertainment accessories.



The Triple Timer line brings space-age technology into the kitchen



opportunities and a concentrated program to increase operating efficiency. Substantially larger commitments were made to research and development for both *Hobart* and *KitchenAid* product lines to maintain and enhance the company's technological leadership over the long term.

West Bend—a leading manufacturer of small kitchen appliances, cookware and humidifiers—was also significantly affected by the current U.S recessionary economy. Although West Bend is one of the most profitable companies in its industry, results declined nearly 8 percent due to softened consumer demand.

Despite the slowness of this marketplace, West Bend created considerable excitement with its higher value-added product introductions. Foremost among these was the *Discovery* Collection, a line of high-fashion, stainless-steel cooking and serving appliances offered through selected department and specialty stores. The company's strategy to establish an important position in the consumer electronics field was well-received by customers in 1981 The *Triple Timer* line is showing considerable sales promise. These microcomputer-controlled products are designed for split-second accuracy to help consumers coordinate and plan a variety of everyday tasks.

Throughout 1981, Thermo-Serv was a part of the Home and Commercial Products business unit. Its primary products are insulated plastic drinking and servingware pieces. Although Thermo-Serv's performance has been solid, the nature of this business provides limited prospects in terms of Dart & Kraft's long-term objectives. Therefore, early this year, the company was sold to a group of investors led by several of its senior managers

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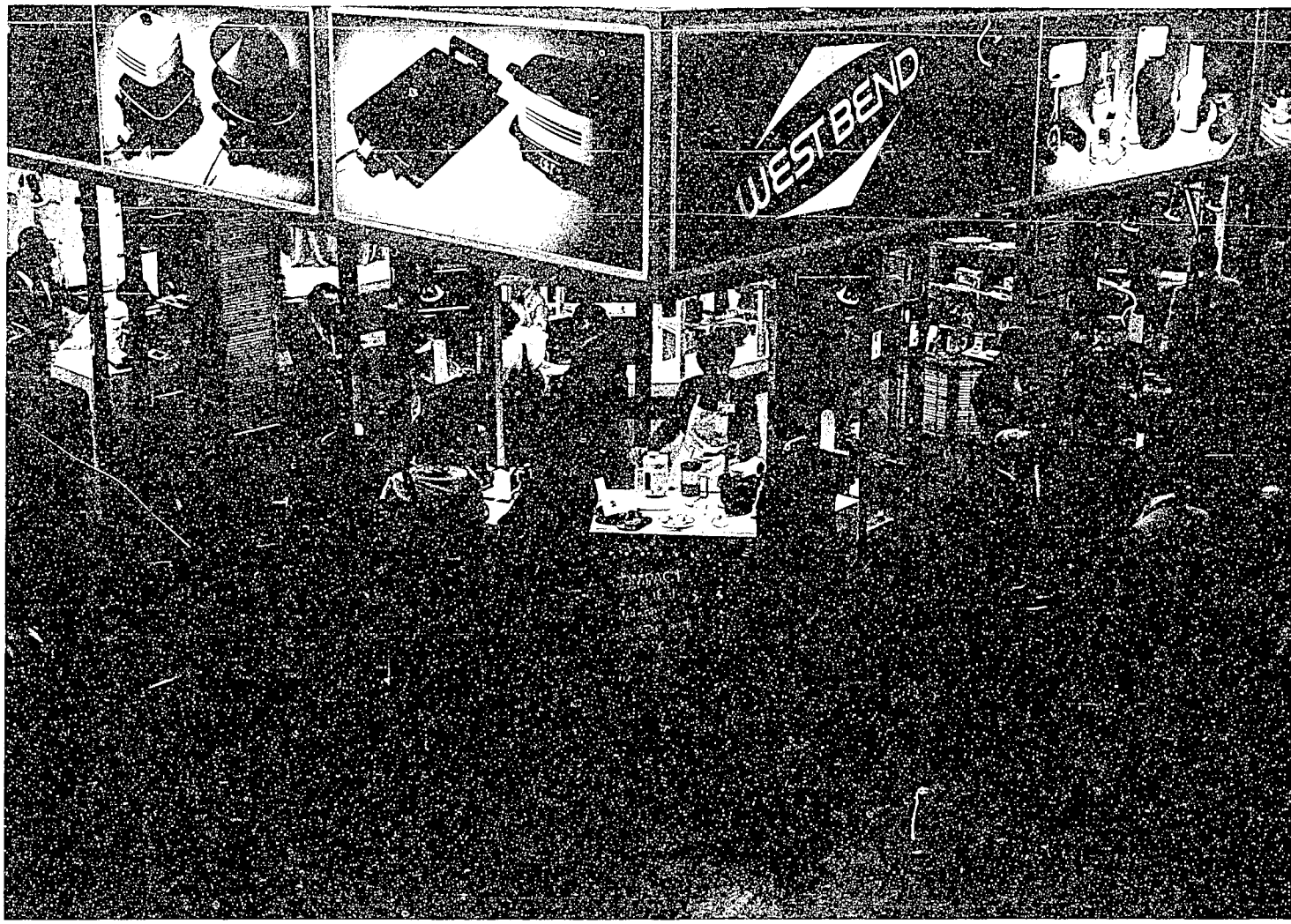
The National Housewares Exposition in Chicago attracts professional buyer and media interest in new products



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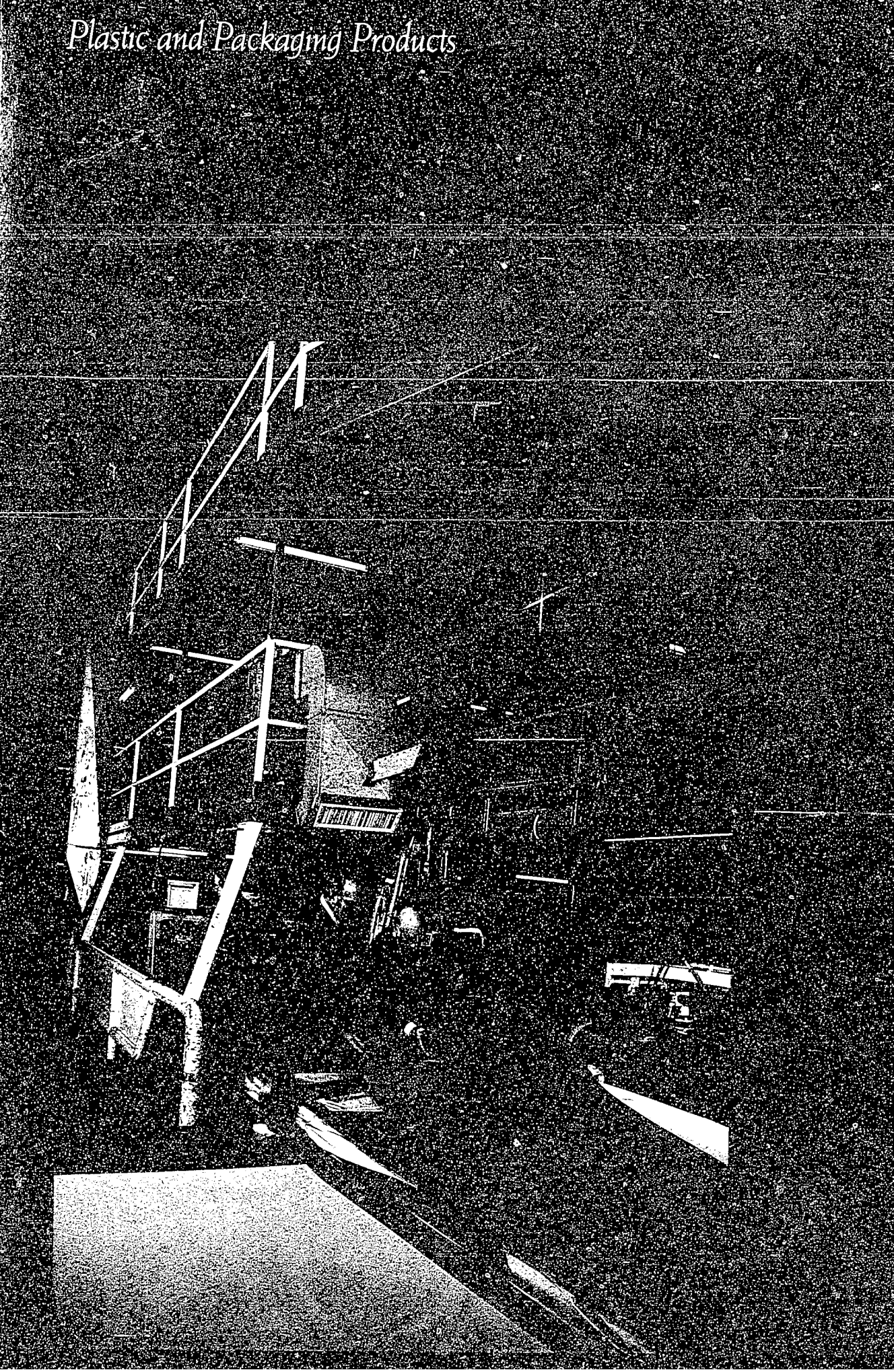

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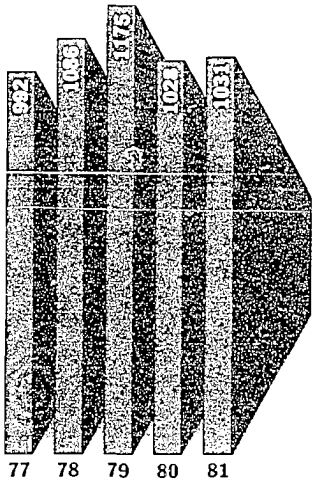
John Del Favero (right), president of Chemical-Plastics, discusses analytical research results that support product development



Plastic and Packaging Products Sales *Millions of dollars*

The Plastic and Packaging Products segment sales were flat, and operating profit declined 3 percent in 1981 This segment accounted for approximately 10 percent of Dart & Kraft's 1981 sales and 11 percent of operating profit.

Through the Chemical-Plastics Group, the businesses in this segment serve the industrial marketplace. They emphasize high technological innovation in a wide range of product lines including decorative building products, plastics processing, chemical specialties, food packaging and health care

Ralph Wilson Plastics Co performed impressively in 1981, maintaining its market leadership with *Wilsonart* decorative plastic laminates Operating profit rose to record levels during the year *Wilsonart* decorative laminates, which are used in the interior surfacing of homes and businesses, are chosen by builders for quality, variety and for the customer services the company provides. A successful strategy to reposition the product in remodeling and furniture was particularly appropriate in light of current depressed conditions in the construction industry.

The plastic processing businesses performed well in a highly competitive environment Colorite and Action Technology showed excellent growth with record profits.

Last year, the chemical specialties sector consolidated its operations Synthetic Products (Synpro), which makes metallic stearates and vinyl stabilizers, and Ware Chemical, a producer of cross-linking monomers, were combined into Synpro-Ware Wilson Products, which provides color concentrates for plastic products, and Fiberfil, which specializes in fiberglass-reinforced and filled thermoplastics, became Wilson-Fiberfil International. The consoli-

Chemical-Plastics stresses internal product and process development as a significant means for growth. To offset some dependence on the cyclical nature of many of the industries it serves, this business unit traditionally has worked closely with its customers to provide them with technological innovations designed to improve their product quality, control their costs and increase their productivity. This is accomplished through Chemical-Plastics' well-equipped and multifunctional research and engineering group.

A corollary business-development division concentrates on bringing new technology and ventures from the embryonic stage into stand-alone operations. Chemical-Plastics holds approximately 2,000 patents that enable many of its businesses to maintain marked leadership positions.

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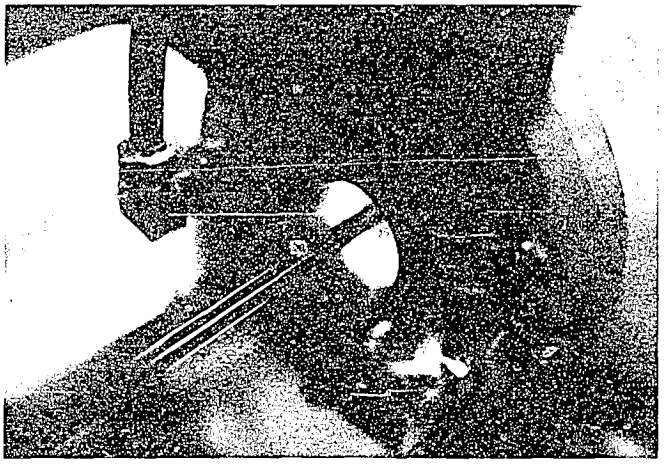
Professional and home gardeners prefer Colonte *plastic and rubber hoses.*

To improve surface gloss and printability, Action Technology flame-finishes extruded tubing for ball-point pen barrels.



dations will allow these companies to more effectively address synergistic opportunities in the markets they serve

The health care sector of the business continued to achieve excellent increases in both sales and profits. During the year, the addition of the *Resiflex* product line reinforced Seamless Hospital Products in the medical/surgical and nursing markets. Absorbent Cotton Company initiated three specialty business expansions—industrial, dental and burn center product lines.

The Styro Products sector, which manufactures plastic cups, food containers and dinnerware, was impacted by severe price competition in its markets. Canada Cup still achieved record profits, but Thompson Cup's results were lower than expected in the United States.

Results of Universal Packaging Corporation (UPC) countered those of a flat industry in 1981 UPC, a manufacturer of folding cartons and plastic packaging for food products, recorded all-time high sales and operating profit, which was up 25 percent An across-the-board increase in major customer volume was reflected in this very strong performance The year was also marked by the timely completion of both plant and equipment expansion projects

Thatcher Glass Manufacturing Co was sold in December 1981. Thatcher has long been considered one of the best-managed and best-performing companies in the glass container industry However, the dynamics of this industry are not consistent with Dart & Kraft's strategic objectives

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*Summary of Selected Financial Data**

Dart & Kraft, Inc. and Subsidiaries

	1981	1980	1979	1978	1977
Summary of operations:		*(Dollars in millions, except per share)*			
Net sales	$10,211	$ 9,411	$ 8,824	$ 7,491	$ 6,828
Costs and expenses–					
Cost of products	7,452	7,032	6,586	5,605	5,161
Delivery, sales and administrative expense	1,990	1,695	1,553	1,259	1,146
Interest expense	126	73	69	59	54
Interest income	(41)	(50)	(44)	(45)	(26)
Other income, net	(68)	(33)	(16)	(10)	(10)
Total costs and expenses	$ 9,459	$ 8,717	$ 8,148	$ 6,868	$ 6,325
Income from operations	$ 752	$ 694	$ 676	$ 623	$ 503
Non-operating items	(108)	19	17	(14)	—
Income before taxes	644	713	693	609	503
Provision for taxes on income	296	330	333	298	240
Net income	$ 348	$ 383	$ 360	$ 311	$ 263
Dividends to shareholders	$ 185	$ 150	$ 132	$ 117	$ 94
Per share of common stock					
Net income from operations	$ 7.35	$ 6.89	$ 6.59	$ 5.92	$ 4.87
Net income	$ 6.36	$ 7.03	$ 6.62	$ 5.73	$ 4.87
Net income–fully diluted	$ 6.34	$ 7.01	$ 6.60	$ 5.70	$ 4.84
Dividends–Dart & Kraft	$ 3.40	$ 80**	—	—	—
Dividends–Kraft	—	$ 2.40**	$ 3.00	$ 2.65	$ 2.32
Dividends–Dart	—	$ 1.50**	$ 1.80	$ 1.60	$ 1.00
Financial position:					
Current assets	$ 2,968	$ 2,774	$ 2,700	$ 2,414	$ 2,122
Current liabilities	1,570	1,291	1,212	1,154	825
Working capital	1,398	1,483	1,488	1,260	1,297
Property, plant and equipment, net	1,565	1,379	1,264	1,259	1,118
Total assets	5,054	4,650	4,382	4,063	3,525
Long-term debt	552	540	596	606	597
Shareholders' equity	2,718	2,621	2,383	2,151	1,953
Per share of common stock	$ 49.81	$ 48.14	$ 43.90	$ 39.69	$ 36.08
Return on average equity	13.0%	15.3%	15.9%	15.2%	14.1%
Statistical information:					
Capital expenditures	$ 346	$ 337	$ 257	$ 202	$ 172
Depreciation	198	153	143	130	120
Total taxes–income, property, payroll and other	461	469	464	413	341
Per share of common stock	$ 8.44	$ 8.61	$ 8.53	$ 7.60	$ 6.30
Payroll and employee benefits	1,707	1,499	1,513	1,251	1,138
Average number of employees	88,498	79,968	78,656	88,736	78,108
Number of shareholders at year end	83,393	86,050	89,747	92,207	95,437
Number of shares of common stock outstanding at year end (thousands)	54,567	54,439	54,278	54,196	54,124
Average number of common and common equivalent shares (thousands)	54,599	54,489	54,367	54,309	54,096

*See Note 1 of the Notes to the Consolidated Financial Statements.

**1980 dividends–Dart & Kraft fourth quarter only; Kraft and Dart Industries first three quarters only.

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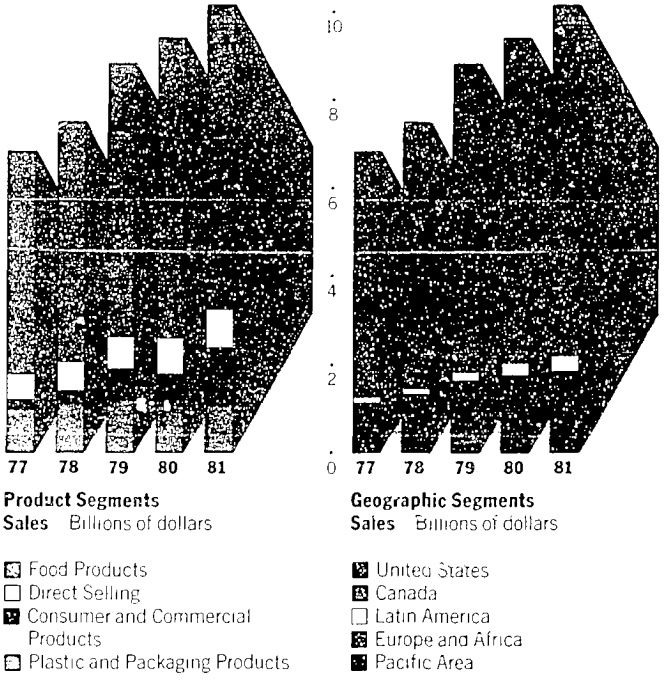
Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the company's financial and operating results for 1981 compared with 1980, and for 1980 compared with 1979 The 1981 results were influenced by the sale of Thatcher Glass Manufacturing Company, the adoption of the new Financial Accounting Standard No 52, "Foreign Currency Translation," and the acquisition of Hobart Corporation The comments that follow in this section should be read in conjunction with the company's Consolidated Financial Statements and related notes, beginning on page 38 of this report

Net Sales

Dart & Kraft's net sales for 1981 totaled $10 2 billion, an increase of almost $800 million or 8 5%, compared with a $587 million increase or 7% in 1980 Excluding the effect of Hobart, the majority of this increase came from the Food Products segment

In the Food Products segment, sales increased 3% in 1981 and 11% in 1980 In both years, the increase was due primarily to higher selling prices required to recover higher costs and to changes in product mix Cheese, margarine and salad dressing products in the United States had tonnage gains in 1981, with some declines in citrus products and prepared dinners Milk sales also declined, reflecting the continuing withdrawal from market areas where industry over-capacity precludes operating at reasonable profit levels Canadian and international operations experienced higher tonnage levels over 1980 In 1980, volume growth was achieved in cheese and citrus products and in the international operations However, these gains were largely offset by lower milk sales



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Direct Selling segment sales improved 3%, compared with a growth of 10% in 1980 In 1981, the majority of Tupperware's sales increase was due to worldwide volume growth which was 4% above 1980 In 1980, most of the sales increase was due to higher prices

Sales in the Consumer and Commercial Products segment, excluding Hobart, rose 10% in 1981 compared to a slight decrease in 1980 A strong volume increase in *Duracell* dry-cell batteries accounted for the majority of the sales gain West Bend's sales were down from 1980 due to economic conditions which softened consumer demand Although not reflected in the comparative statistics, Hobart's sales declined from last year due to decreased KitchenAid and European volume

The Plastic and Packaging Products segment's sales were flat in 1981 following a 13% decrease in 1980 This segment was impacted in both years by adverse economic conditions affecting the construction and automobile industries, two important end-use markets

Geographically, 90% of the sales growth in 1981 was in domestic markets, compared with 38% in 1980 Sales in 1981 increased 11% in the United States, while sales outside of the United States were up 3% In 1980, domestic sales rose 4%, while sales outside the United States were up by 15%

Operating Profit

Food Products segment operating profit increased 11% following a 9% rise in 1980 Improved sales, tonnage and operating margins in all geographic and market segments contributed to the increase in 1981, whereas processed foods in the U S , Canadian, Latin American and Pacific markets were entirely responsible for the increase in 1980. European operations in 1980 were adversely affected by reduced general economic activity, particularly in the United Kingdom and Germany

Operating profit for the Direct Selling segment showed an increase of 9% in 1981 and 11% in 1980 In the two years, both the U S and international operations of Tupperware contributed to the gain in profit Each year saw an increase in the Tupperware dealer force worldwide which contributed to the good performance

Consumer and Commercial Products segment operating profit, excluding Hobart, rose 40%, compared with a 14% decline in 1980 Contributing to this profit increase in 1981 was Duracell's second year of strong profit performance due to aggressive marketing efforts and improved operating efficiencies West Bend's profit for 1981 was below 1980, reflecting continued soft consumer spending trends Hobart's operating profit, although not reflected in the comparison with 1980, was less than last year due to soft market conditions The decline in this segment's profit in 1980 resulted from the divestiture of several businesses that had contributed $12 million to profit in 1979

Operating profit for the Plastic and Packaging Products segment was down 3% in 1981, following 1980 when weak construction and automotive industry demand negatively impacted several chemical businesses and their operating margins Showing particular strength in 1981 was Ralph Wilson Plastics Co , a producer of decorative plastic laminates

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Interest Expense and Income

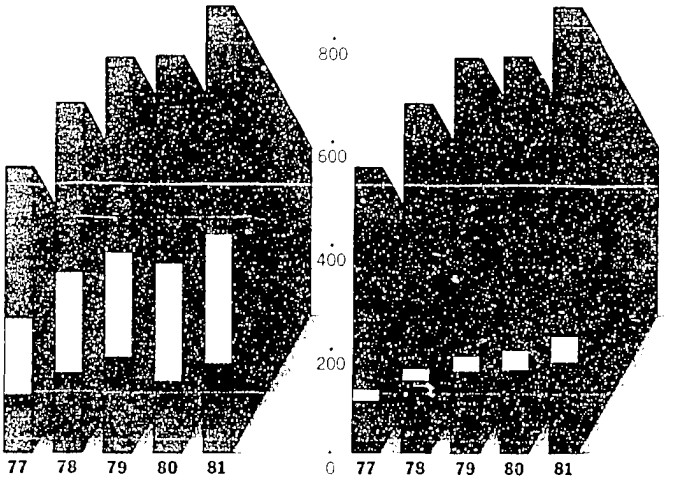
The increase in interest expense for 1981 resulted primarily from additional short-term borrowings related to the Hobart acquisition Interest expense for 1980 was slightly above 1979 as the result of higher prevailing interest rates

Interest income in 1981 decreased reflecting the use of temporary investments to finance the Hobart acquisition In 1980, interest income increased due to higher rates earned, as well as an increase in the average funds invested

Other Income

The increase in other income in 1981 is primarily due to the effect of adoption of the Financial Accounting Standards Board's newly issued standards for translating foreign currency financial statements In 1981, foreign currency translation losses were charged to Cumulative Foreign Currency Adjustments, a separate component of shareholders' equity, rather than to income Prior years were not restated for the new standards

The increase in 1980 was primarily due to a $14 million improvement in foreign currency translation of balance sheet items



Product Segments
Operating Profit Millions of dollars

- Food Products
- Direct Selling
- Consumer and Commercial Products
- Plastic and Packaging Products

Geographic Segments
Operating Profit Millions of dollars

- United States
- Canada
- Latin America
- Europe and Africa
- Pacific Area

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Non-Operating Items

Non-operating items aggregated a loss of $107 6 million in 1981 compared with a $19 3 million gain in 1980 Included in 1981 were a $116 million loss on the sale of Thatcher Glass and a $22 million provision for loss on divestitures These were offset by a $16 million gain arising from antitrust settlements and a $14 million gain on the sale of Dominion Dairies Limited of Canada

In 1980, gains included $20 million from antitrust settlements, $15 million from the sale of Syroco and $13 million from the repurchase of bonds Non-operating charges included a $20 million provision for restructuring and disposition of several small operations and $9 million of expenses associated with the merger of Dart Industries and Kraft

Income Taxes

The provision for taxes on income declined $33 6 million in 1981, principally as a result of the loss on the sale of Thatcher Glass and a special United Kingdom tax credit of $5 1 million The effective tax rate on income was 46% in 1981, compared with 46 3% in 1980

In 1980, the provision was $3 million lower than 1979 A lower effective tax rate applicable to non-operating gains in 1980, together with an increase of almost $7 million in investment tax credits, more than offset the tax on higher earnings

Inflation

The high rate of inflation which has been prevalent worldwide has had a significant impact on the company's reported earnings, shareholders' equity and other reported financial data For an evaluation of the impact of inflation, see the Effects of Inflation on Dart & Kraft, starting on page 53

Financial Condition

The company continues to be in a strong financial position Working capital at the end of 1981 was $1,398 1 million, compared with $1,483 0 million at the end of 1980 Long-term debt as a percentage of total capitalization was 17% at the end of 1981 and 1980

In 1981, cash and temporary investments decreased $149 3 million, reflecting the acquisition of Hobart offset by the sale of Thatcher Glass and Dominion Dairies In March 1981, Hobart was acquired for a total cost of $458 6 million The purchase was financed by borrowings and through a reduction of cash and temporary investments By year end, the acquisition borrowings had been repaid The sale of Thatcher Glass in December 1981 generated $120 million in cash The higher levels of accounts receivable and inventories are primarily due to the addition of Hobart, offset by the elimination of Thatcher Accounts receivable days outstanding and days supply in inventory rose approximately 10%, primarily due to the inclusion of Hobart

At December 31, 1981, the company had approximately $969 million of available borrowing under its lines of credit, including a $500 million revolving credit agreement with 14 banks that was initiated in December 1980 for general corporate purposes, including acquisitions

Capital Expenditures

Capital expenditures in 1981 amounted to a record $346 million, compared with $337 million in the preceding year. In 1980, expenditures were 31% over 1979 In both 1981 and 1980, approximately two-thirds of the capital expenditures were for improved efficiency and replacement of existing facilities and one-third for expansion Expenditures were approximately $269 million in the United States, $11 million in Canada and $66 million in all other countries

Capital expenditures in 1982 are estimated to be $350 million

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Common Stock Market Prices and Dividends

The principal market for the company's common stock is the New York Stock Exchange

The quarterly market price ranges of Dart & Kraft common stock since the reorganization on September 25, 1980, are as follows

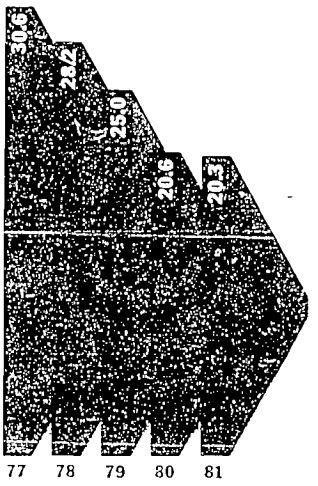
	1981		1980	
	High	Low	High	Low
First Quarter	50⅜	42½	—	
Second Quarter	52⅛	46⅞	—	
Third Quarter	51⅝	44⅝	45	43⅛
Fourth Quarter	54¾	47	45⅛	39¾

Dividends paid to shareholders totaled $185 million in 1981, compared with $150 million in 1980 and $132 million in 1979

In 1981, the company's quarterly dividends were 85¢ per share In 1980, Dart & Kraft paid dividends of 80¢ per share in the fourth quarter which was the same rate paid by Kraft during the first three quarters, but 30¢ higher than had been paid by Dart Industries Thus, $24 million of the increase in total dividends paid in 1981 was the result of the merger

The Board of Directors increased the quarterly dividend by 5¢ to a rate of 90¢ for the first quarter of 1982

On February 19, 1982, there were approximately 82,768 holders of record of the company's common shares



Debt to Equity Ratio
Percent

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Consolidated Statement of Income

Dart & Kraft, Inc. and Subsidiaries

	Years Ended December 31,		
	1981	1980	1979
	(Amounts in millions, except per share)		
Net sales	$10,211 0	$9,411 5	$8,824 5
Costs and expenses:			
Cost of products	7,452 4	7,032 8	6,586 3
Delivery, sales and administrative expense	1,989 8	1,694 9	1,552 9
Interest expense	126 6	72 8	69 2
Interest income	(40.9)	(49 8)	(44 2)
Other income, net	(68 4)	(33 0)	(15 3)
Total	9,459 5	8,717 7	8,148 9
Income from operations	751 5	693 8	675 6
Non-operating items	(107 6)	19 3	17 4
Income before taxes	643 9	713 1	693 0
Provision for taxes on income	296 4	330 0	333 2
Net income	$ 347 5	$ 383 1	$ 359 8
Net income per common and common equivalent share	$ 6 36	$ 7 03	$ 6 62
Average number of common and common equivalent shares	54.6	54 5	54 4

See Notes to the Consolidated Financial Statements

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Consolidated Statement of Changes in Financial Position

Dart & Kraft, Inc. and Subsidiaries

	Years Ended December 31,		
	1981	1980	1979
		(In millions)	
Cash provided from operations			
Net income	$ 347 5	$ 383 1	$ 359 8
Items not resulting in cash flow			
Depreciation and amortization	204 8	156 6	148 2
Deferred taxes on income	70 8	22 4	(8 7)
Provision for loss on divestitures	22 1	19 6	31 0
Increase in working capital (except cash, temporary investments and borrowings)	(266 3)	(151 4)	(88 1)
Translation adjustments	(36 8)	—	—
Cash provided from operations	342 1	430 3	442 2
Dividends paid	(185 3)	(150 3)	(131 7)
Investments			
Capital expenditures	(345 6)	(336 7)	(257 3)
Book value of properties sold	214 6	67 9	112 2
Acquisition of businesses, less working capital acquired	(202 9)	—	—
Final amounts paid to complete Duracell International acquisition	—	—	(77 5)
(Increase) decrease in long-term receivables	44 5	(58 8)	53 5
Increase (decrease) in other liabilities	(9 8)	(18 3)	2 8
Increase in prepaid pension costs	—	(20 8)	(6 0)
Other	(5 7)	2 6	(7 7)
Cash used for investments	(304 9)	(364 1)	(180 0)
Financing			
Increase (decrease) in long-term debt	(23 3)	(57 5)	(12 3)
Increase (decrease) in short-term borrowings	22 1	26 0	(24 6)
Cash used by financing	(1 2)	(31 5)	(36 9)
Increase (decrease) in cash and temporary investments	$(149 3)	$(115 6)	$ 93 6

See Notes to the Consolidated Financial Statements

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Consolidated Balance Sheet

Dart & Kraft, Inc and Subsidiaries

	December 31,	
	1981	1980
	(Dollars in millions)	
Assets		
Cash	$ 101 6	$ 95 3
Time deposits and certificates of deposit	38 6	126 0
Temporary investments, at cost which approximates market	37 4	105 6
Total cash and temporary investments	177 6	326 9
Trade accounts and notes receivable	851 1	735 0
Other receivables	120 8	94 0
Less—Allowance for doubtful accounts and notes	(32 7)	(29 0)
	939 2	800 0
Inventories	1,851 3	1,646 9
Total current assets	2,968 1	2,773 8
Investments and long-term receivables (less allowance of $5 5 in 1981 and $6 7 in 1980)	209 9	254 4
Prepaid and deferred items	115 0	97 9
Property, plant and equipment		
Land	50 5	44 9
Buildings and improvements	720 3	687 0
Machinery and equipment	1,679 6	1,595 1
Construction in progress	104.2	93 1
	2,554 6	2,420 1
Less—Accumulated depreciation	(989 3)	(1,041 0)
	1,565 3	1,379 1
Intangibles, less amortization	195 5	145 1
Total assets	$5,053 8	$4,650 3

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	December 31,	
	1981	1980
	(Dollars in millions, except par value)	
Liabilities and Shareholders' Equity		
Accounts and drafts payable	$ 507 6	$ 513 4
Short-term borrowings	190 6	130 8
Accrued payroll	103 9	95 2
Other accrued liabilities	430 0	329 5
Taxes on income	287 9	208 7
Current portion of long-term debt	50 0	13 2
Total current liabilities	1,570 0	1,290 8
Long-term debt	551 6	540 2
Deferred taxes on income	157 5	133 7
Other liabilities	56 7	65 1
Shareholders' equity		
Preferred stock, $5 00 par value, authorized 50,000,000 shares; issued-none	—	—
Common stock, $2 50 par value, authorized 200,000,000 shares, issued 54,579,939 shares in 1981 and 54,439,756 shares in 1980	136 4	136 1
Capital surplus	334 9	330 0
Retained earnings	2,319 7	2,157 5
Less—Treasury stock, 12,769 shares in 1981 and 400 shares in 1980, at cost	(6)	—
Unearned portion of restricted stock issued for future services	(1 8)	(3 1)
Cumulative foreign currency adjustments	(70 6)	—
Total shareholders' equity	2,718 0	2,620 5
Total liabilities and shareholders' equity	$5,053 8	$4,650 3

See Notes to the Consolidated Financial Statements

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Consolidated Statement of Shareholders' Equity

Dart & Kraft, Inc. and Subsidiaries

	Number of Shares		Amounts *(Dollars in millions)*				
For the Three Years Ended December 31, 1981	Common Stock	Treasury Stock	Common Stock	Treasury Stock	Capital Surplus	Retained Earnings	Cumulative Foreign Currency Adjustments
Balance December 31, 1978	54,357,844	161,740	$135.9	$(6.9)	$326.5	$1,697.0	$ —
1979 net income						359.8	
Cash dividends						(131.7)	
Stock options exercised	44,615	(37,142)	1	1.6	1.6		
Other		(127)			1		
Balance December 31, 1979	54,402,459	124,471	136.0	(5.3)	328.2	1,925.1	—
1980 net income						383.1	
Stock Ownership Plan	2,500	(64,765)		2.7	5		
Cash dividends						(150.3)	
Stock options exercised	34,789	(58,138)	1	2.6	7		
Other	8	(1,168)			6	(.4)	
Balance December 31, 1980	54,439,756	400	136.1	—	330.0	2,157.5	—
1981 net income						347.5	
Stock Ownership Plan	1,000	4,049		(.2)			
Cash dividends						(185.3)	
Stock options exercised	138,931	8,320	3	(.4)	4.9		
Other	252						
Effect of restatement to a current rate basis on January 1, 1981							6.3
Translation and other adjustments							(89.0)
Related income taxes							10.8
Sale of operating units							1.3
Balance December 31, 1981	54,579,939	12,769	$136.4	$(.6)	$334.9	$2,319.7	$(70.6)

See Notes to the Consolidated Financial Statements

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Note 1: *Summary of Significant Accounting Policies*

Basis of Consolidation

In September 1980, Kraft, Inc and Dart Industries Inc became wholly owned subsidiaries of Dart & Kraft, Inc through a reorganization accounted for as a pooling of interests The consolidated financial statements include the accounts of the company and all significant subsidiaries Investments in a real estate subsidiary and an insurance subsidiary are accounted for by the equity method. All significant intercompany accounts and transactions are eliminated in consolidation

Translation of Foreign Currencies

In 1981, the company adopted the Financial Accounting Standards Board's newly issued standards for translating foreign currency financial statements Assets and liabilities are translated at the rates of exchange on the balance sheet date. Income and expense accounts are translated at the average rates of exchange during the year Translation gains and losses are reported in shareholders' equity and are not included in the Consolidated Statement of Income

Foreign currency gains resulting from transactions and the translation of financial statements of subsidiaries in high-inflationary countries included in net income for the year ended December 31, 1981 were $23 7 million Implementation of the new standards increased net income by $41 million, or $ 75 per share, over net income computed under the previous rules

The years 1980 and 1979 have not been restated to give effect to this change In 1980 and 1979, translation gains reflected in net income amounted to $2 4 million and $ 9 million, respectively

Inventory Valuation

Inventories are valued at the lower of cost or market For substantially all food products, cost is determined using the average cost method For most other products, the first-in, first-out method is used Inventory cost includes costs of raw material, labor and overhead Because of the nature of the business, it is impracticable to segregate inventories into raw materials, work in process and finished goods

Property and Depreciation

Properties are stated at cost Depreciation is determined on a straight-line basis over estimated useful lives For certain machinery and equipment, depreciation is determined on a composite basis over estimated group lives The rates of depreciation for buildings and improvements are 2% to 20% and for machinery and equipment, 5% to 33⅓%.

On routine disposals of depreciable assets accounted for on a composite basis, the gross book value less the proceeds or salvage value is charged to accumulated depreciation On all other sales or retirements of property, plant and equipment, gain or loss is recognized Expenditures for maintenance and repairs are charged to expense

Intangibles

The excess of cost over net assets of businesses acquired prior to November 1, 1970, ($17 5 million at December 31, 1981) is not being amortized because the company believes there has been no reduction in the value of these businesses. The excess of cost over net assets of businesses acquired subsequent to November 1, 1970, ($155 6 million at December 31, 1981, net of amortization) is being amortized over 40 years

Advertising and Research and Development Costs

Advertising and research and development costs are charged to expense as incurred

Undistributed Earnings of International Subsidiaries

Federal income taxes are provided on the portion of each international subsidiary's earnings that is not expected to be invested permanently At December 31, 1981, approximately $560 million of such undistributed earnings were considered to be invested permanently

Interest Capitalization

The company capitalizes the interest cost associated with large capital expenditure projects of long duration. Interest capitalized was $9 6 million in 1981 and $7 8 million in 1980

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Net Income Per Share

Net income per common and common equivalent share is based upon the weighted average number of common shares actually outstanding during the period increased by the effect of dilutive stock options No material dilution would result from conversion of the company's 7½% DM convertible bonds

Note 2: *Financing Arrangements*

The short-term borrowings and the long-term debt of the company are summarized below

Short-Term Borrowings

	(In millions) December 31,					
	1981		1980		1979	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
Commercial paper	$ 33 6	15 3%	$ —	—%	$ —	—%
Bank loans and notes	157 0	23 8	130 8	25 2	104 8	16 0
	$190 6	22 3%	$130 8	25 2%	$104 8	16 0%
Average short-term borrowings	$404 1	20 5%	$133 3	21 3%	$139 2	11 6%
Maximum short-term borrowings	$567 1	—	$153 2	—	$219 8	—

The average borrowings and weighted average interest rates were determined using period-end borrowings and the interest rates applicable to them

The company had unused lines of credit amounting to $969 million at December 31, 1981, including a $500 million revolving credit agreement

Long-Term Debt

	(In millions) December 31,	
	1981	1980
4⅜%-9⅛% sinking fund debentures due 1989-2007	$299 0	$308 0
4%-9⅞% notes due 1983-1995	82 7	58 0
4¼%-4¾% subordinated debentures due 1987-1997	80 0	80 0
8¼% secured notes due 1983-1991	4 7	21 1
7½% DM convertible bonds due 1985	19 7	22 3
Other	65 5	50 3
Total long-term debt	$551 6	$540 2

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The amounts shown as outstanding by the company at December 31, 1981, exclude amounts provided for payment and sinking fund requirements included in current liabilities and $56 7 million of debentures held in treasury in excess of current sinking fund requirements

Excluded from debt and assets are certain borrowing arrangements in foreign currencies for which there are related loans receivable of equivalent amounts In the event of default by either party under these arrangements, a legal right of offset allows defaulted principal and accrued interest to be offset against the related repayment obligation At December 31, 1981, these loans totaled $19 9 million at interest rates ranging from 6 0% to 18 125%

During 1981, the company repurchased $3 2 million of its debentures at an aggregate discount of $1 1 million In 1980, $49 5 million of debentures were repurchased at an aggregate discount of $12 9 million

Total principal payments due on long-term debt, after deducting amounts held in treasury, in the five years subsequent to December 31, 1981, are as follows 1982-$50 0 million, 1983-$34 9 million, 1984-$18 0 million, 1985-$38 8 million, 1986-$28 9 million

The undistributed earnings of consolidated subsidiaries account for substantially all of the company's retained earnings

Operating Leases

Rental expense for operating leases (reduced by sublease income of approximately $4 million in each year) totaled $83 6 million in 1981, $63 0 million in 1980 and $53 6 million in 1979 Approximate minimum rental commitments under non-cancelable operating leases in effect at December 31, 1981, are 1982-$50 5 million, 1983-$38 6 million, 1984-$31 0 million, 1985-$26 6 million, 1986-$23 5 million, and, after 1986-$103 6 million Future sublease rentals receivable total $6 2 million

Note 3. *Stock Options*

During 1981, options to purchase 138,931 shares under various stock option plans of the company's subsidiaries were exercised at prices ranging from $28 25 to $44 91 per share, and options for 308,301 shares lapsed or were canceled At December 31, 1981, 790 employees (including officers) held options under stock option plans of the company to purchase 699,164 shares at prices ranging from $28 25 to $50 35 per share At that date, options for 264,895 shares were exercisable and 1,806,500 shares were reserved for future option grants Proceeds from options exercised during the periods were credited to the treasury stock, common stock and capital surplus accounts No charges have been reflected in income for any period with respect to these plans

Stock appreciation rights granted to holders of certain options allow the election to surrender these options for payment of an amount equal to the excess of the fair market value at the surrender date over the option price of the options surrendered Compensation expense associated with these stock appreciation rights was not significant

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Note 4: *Income Taxes*

Provision for taxes on income consists of the following

	(In millions)		
	Years Ended December 31,		
	1981	1980	1979
Payable currently			
Federal	$105 1	$189 5	$221 3
Foreign	99 2	93 2	81 2
State	21 3	24 9	39 4
	225 6	307 6	341 9
Tax effects of timing differences:			
Federal	65 3	21 5	(5 3)
Foreign	(9)	(1 2)	(3 4)
State	6 4	2 1	—
	70 8	22 4	(8 7)
Provision for taxes on income	$296 4	$330 0	$333 2

The tax effects of timing differences, resulting from variances between accounting for financial statement purposes and accounting for tax purposes, are as follows

	(In millions)		
	Years Ended December 31,		
	1981	1980	1979
Depreciation	$ 15 5	$ 26 7	$ 5 2
Inventory valuation method	61 5	—	—
Installment sales	7	(2 2)	(2 7)
Accrued taxes and other expenses not deductible until paid	(2 6)	4 2	(9 7)
Provision for elimination, change or sale of certain operations	(3 6)	(4 5)	(1 9)
Provision for unrepatriated foreign income	(7)	(1 8)	4
Tax effects of timing differences	$ 70 8	$ 22 4	$ (8 7)

Income taxes charged to income differ from an amount computed using the U S. federal income tax rate as follows

	(In millions)		
	Years Ended December 31,		
	1981	1980	1979
Amount computed using the statutory rate	$296 2	$327 9	$318 7
Increase (reduction) in taxes resulting from:			
State taxes	15 0	14 5	21 3
Foreign income	(5 7)	3 4	2 2
Investment tax credit (flow-through method)	(14 0)	(13 8)	(7 0)
Other	4 9	(2 0)	(2 0)
Provision for taxes on income	$296 4	$330 0	$333 2

Income before taxes was as follows.

	(In millions)		
	Years Ended December 31,		
	1981	1980	1979
Domestic	$416 8	$504 0	$494 0
Foreign	227 1	209 1	199 0
Total income before taxes	$643.9	$713 1	$693 0

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Note 5: *Employee Benefit and Other Related Plans*

Company Pension Plans

The company and its subsidiaries have several pension plans covering substantially all U S employees and certain employees in other countries In addition to its own pension plans, the company contributes to various joint industry and union pension plans The total pension expense for all plans was $43 1 million in 1981, $58 4 million in 1980, and $57 4 million in 1979 The decrease in pension expense for 1981 is principally due to a change in the investment return assumption It is the company's general policy to provide and to fund current service costs and interest on unfunded prior service costs annually, and to amortize past service costs over periods of 10 to 40 years A comparison of accumulated plan benefits and plan net assets for all of the company's domestic defined benefit plans, as of the latest valuation dates, is presented below

	(In millions)	
	January 1,	
	1981	1980
Actuarial present value of accumulated plan benefits		
Vested	$487 5	$452 9
Nonvested	32 4	32 2
	$519 9	$485 1
Net assets available for benefits	$752 3	$593 4

The assumed rates of return used in determining the actuarial present value of accumulated plan benefits range from 6 5% to 8 0% for these plans for 1981 and 8 0% to 8 5% for 1980 The company's pension plans outside the United States are not required to report to certain governmental agencies pursuant to ERISA and do not, in all cases, otherwise determine the actuarial value of accumulated benefits or net assets available for benefits as calculated and disclosed above For those plans for which a determination was made, the total of the pension funds and accruals exceeded the most current actuarially computed value of vested benefits as of December 31, 1981 and 1980 For various joint industry and union-sponsored plans, information is not available from the plans' sponsors to permit the company to determine its share of unfunded vested benefits

There also is a thrift plan and a company profit sharing plan The total cost of these plans was $18 3 million in 1981, $13 8 million in 1980, and $14 2 million in 1979

Profit Incentive Plans

Under year-to-year profit incentive compensation plans, key employees, including officers of the company, earned approximately $20 9 million for 1981, $21 7 million for 1980, and $19 3 million for 1979 These plans covered 1,144 employees for 1981, 1,333 employees for 1980, and 1,276 employees for 1979, and did not include any director of the company who was not an employee

Restricted stock plans provide for awards of common stock to selected employees, subject to forfeiture if employment terminates prior to the prescribed restricted period At December 31, 1981, certain employees, including officers, held 112,690 shares of restricted common stock of the company The company's Performance Unit Plan provides for awards of cash and/or common stock of the company to selected employees, based upon the attainment of prescribed performance criteria At December 31, 1981, 2,000,000 shares were reserved for issuance under these plans

Note 6: *Contingencies*

There are no pending legal proceedings against the company and its subsidiaries other than ordinary routine litigation (including several private actions, some seeking treble damages, based on alleged violation of the antitrust laws) which is incidental to the company's business Based on the opinion of the company's General Counsel, it is believed that the outcome of such litigation will not affect materially the company's consolidated financial position or operations

The company has filed suits under the federal antitrust laws in one case against certain suppliers of folding cartons and in another case against certain suppliers of corrugated material, claiming treble damages in unspecified amounts Through December 31, 1981, these suits have resulted in settlements of approximately $36 million

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Note 7 *Non-Operating Items*

Gain or loss from non-operating items consisted of the following

	(In millions) Gain (Loss)	
	Before taxes on income	After taxes on income
1981		
Loss on disposition of businesses (primarily fourth quarter)	$(102 0)	$(56 1)
Gain from antitrust settlements	16 5	8 4
United Kingdom tax credit (third quarter)	—	5 1
Provision for loss on divestitures (primarily fourth quarter)	(22 1)	(11 2)
	$(107 6)	$(53 8)
1980		
Gain from antitrust settlements (fourth quarter)	$ 19 9	$ 10 1
Gain on repurchase of company bonds (primarily first quarter)	12 9	7 2
Merger-related expenses	(9 2)	(9 2)
Gain on disposition of businesses	15 3	9 7
Provision for loss on divestitures	(19 6)	(10 2)
	$ 19 3	$ 7 6
1979		
Provision for loss on divestitures	$(31 0)	$(25 0)
Gain on disposition of businesses	48 4	22 2
United Kingdom tax credit	—	4 4
	$ 17 4	$ 1 6

Note 8: *Business Combinations and Dispositions*

Hobart Corporation, a leading manufacturer of commercial food equipment and home appliances was acquired in March 1981 The acquisition has been accounted for as a purchase and, accordingly, the Consolidated Statement of Income includes the results of its operations from April 1, 1981 For the nine months of 1981 in which it has been a part of the company, Hobart's net sales were $481 3 million and costs associated with the acquisition (including financing charges and amortization of valuation increase) exceeded its profit contribution by $ 51 per share

In December 1981, the company sold Thatcher Glass Manufacturing Co for $120 million in cash and securities valued at $17 9 million The sale resulted in an after-tax loss of $1 20 per share In 1981, Thatcher's sales and income from operations were $370 6 million and $27 9 million, respectively

Additionally, during the last three years, the company acquired and disposed of a number of other businesses The combined sales and income before taxes of all of these other businesses are not material to the company's consolidated financial statements

Note 9 *Supplementary Statement of Income Information*

	(In millions) Years Ended December 31,		
	1981	1980	1979
Maintenance and repairs	$185 8	$173 8	$168 9
Depreciation	198 2	153 2	143 2
Taxes other than payroll and taxes on income	42 5	35 5	32 9
Advertising	236 0	216 6	185 7
Research and development	88 9	55 0	38 2

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Note 10 *Quarterly Financial Summary (Unaudited)*

The following is a summary of the unaudited interim results of operations for the years ended December 31, 1981 and 1980. Restatement of the previously reported 1981 interim results to reflect the adoption of the new standards for the translation of foreign currency financial statements increased first quarter 1981 net income by $6.9 million ($.13 per share), second quarter by $13.2 million ($.25 per share), and third quarter by $22.7 million ($.40 per share).

	(Dollars in millions, except per share)			
Year Ended December 31, 1981	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$2,402.1	$2,608.2	$2,565.4	$2,635.3
Cost of products	1,769.7	1,902.0	1,863.0	1,917.7
Net income	103.4	129.3	103.2	11.6
Net income per common and common equivalent share	$ 1.90	$ 2.37	$ 1.88	$ .21
Year Ended December 31, 1980	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$2,319.2	$2,254.8	$2,387.9	$2,449.6
Cost of products	1,748.7	1,669.1	1,799.1	1,815.9
Net income	101.2	100.5	84.2	97.2
Net income per common and common equivalent share	$ 1.86	$ 1.84	$ 1.54	$ 1.79

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Note 11: *Segments of the Business*

The company operates principally in four industries—food products, direct selling, consumer and commercial products, and plastic and packaging products

Segments of Business by Classes of Products		*(In millions)*	
Three-Year Summary	1981	1980	1979
Sales to unaffiliated customers:			
Food Products	$ 7,067 9	$6,846 5	$6,188 4
Direct Selling	869 1	841 7	762 5
Consumer and Commercial Products	1,243 2	695 1	698 4
Plastic and Packaging Products	1,030 8	1,028 2	1,175 2
Net sales	$10,211 0	$9,411 5	$8,824 5
Operating profit:			
Food Products	$ 450 3	$ 407 3	$ 374 9
Direct Selling	241 3	222 3	200 6
Consumer and Commercial Products	77 4	46 1	53 8
Plastic and Packaging Products	93 8	97 2	121 9
Total operating profit	$ 862 8	$ 772 9	$ 751 2
Corporate general expense	(66 1)	51 6	45 3
Currency translation gain (loss)	40 5	4 5	(5 3)
Interest expense, net	(85 7)	23 0	25 0
Non-operating items	(107 6)	19 3	17 4
Income before taxes	$ 643 9	$ 713 1	$ 693 0
Identifiable assets:			
Food Products	$ 2,482 8	$2 298 0	$2 101 0
Direct Selling	645 5	623 1	550 0
Consumer and Commercial Products	1,267 5	568 6	498 2
Plastic and Packaging Products	408 1	639 1	693 8
Corporate	249 9	521 5	538 9
Total identifiable assets	$ 5,053 8	$4,650 3	$4,381 9
Depreciation:			
Food Products	$ 75 7	$ 69 1	$ 61 1
Direct Selling	36 5	26 2	22 9
Consumer and Commercial Products	39 7	14 8	12 0
Plastic and Packaging Products	41 7	38 9	45 3
Corporate	4 6	4 2	1 9
Total depreciation	$ 198 2	$ 153 2	$ 143 2
Capital expenditures:			
Food Products	$ 125 4	$ 155 0	$ 110 7
Direct Selling	71 4	45 2	44 8
Consumer and Commercial Products	53 2	46 5	28 2
Plastic and Packaging Products	75 8	77 5	73 0
Corporate	19 8	12 5	6
Total capital expenditures	$ 345 6	$ 336 7	$ 257 3

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Segments of Business by Geographical Areas	(In millions)		
Three-Year Summary	1981	1980	1979
Sales to unaffiliated customers:			
United States	$ 7,299 7	$6 582 0	$6,357 1
Canada	817 5	843 6	731 0
Latin America	297 6	231 1	160 1
Europe and Africa	1,371 3	1,394 7	1,271 1
Pacific Area	424 9	360 1	305 2
Net sales	$10,211 0	$9,411 5	$8,824 5
Operating profit:			
United States	$ 573 0	$ 515 6	$ 520 4
Canada	66 6	62 4	49 7
Latin America	49 3	36 1	25 3
Europe and Africa	102 6	100 0	101 7
Pacific Area	71 3	58 8	54 1
Total operating profit	$ 862 8	$ 772 9	$ 751 2
Corporate general expense	(66 1)	(51 6)	(45 3)
Currency translation gain (loss)	40 5	(4 5)	(5 3)
Interest expense, net	(85 7)	(23 0)	(25 0)
Non-operating items	(107 6)	19 3	17 4
Income before taxes	$ 643 9	$ 713 1	$ 693 0
Identifiable assets:			
United States	$ 3,345 5	$2,773 4	$2,624 3
Canada	301 9	284 2	275 2
Latin America	212 6	185 9	134 7
Europe and Africa	634 8	636 6	595 1
Pacific Area	309 1	248 7	213 7
Corporate	249 9	521 5	538 9
Total identifiable assets	$ 5,053 8	$4,650 3	$4,381 9

The segments of Dart & Kraft consist of the following products and services *Food Products*–cheese and related products, vegetable oil-based products, packaged foods, fluid milk products, frozen desserts and manufactured dairy products, *Direct Selling*–plastic food-preparation, storage and serving containers, cosmetics, toiletries, giftware (sold in 1981), and marketing of resort community homesites, *Consumer and Commercial Products*–alkaline, mercury, lithium and silver oxide batteries, commercial food equipment, dishwashers and other home appliances, electric houseware, cookware and servingware, *Plastic and Packaging Products*–chemical specialties, decorative plastic laminates, foamed polystyrene products, glass containers (sold in 1981), paper containers and flexible packaging materials Of these products, the only class that accounted for more than 10% of consolidated sales is cheese and related products, with sales of approximately $3 2 billion in 1981, $2 9 billion in 1980, and $2 6 billion in 1979

In the two segment tables, intersegment sales were immaterial, except in the Plastic and Packaging Products segment, which amounted to $56 8 million in 1981, $56 0 million in 1980, and $95 4 million in 1979

Certain amounts for 1980 and 1979 in the segment tables have been restated to a comparable basis with 1981 Operating profit is net sales less cost of products and delivery, sales and administrative expense other than corporate general expense Identifiable assets are those assets that are identified with the operations in each segment Corporate assets are principally cash, temporary investments, and properties Sales to a single customer did not exceed 10% of total sales Export sales were insignificant

As of December 31, 1981, the company's net investment in international operations, excluding Canada, was $703 4 million

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Auditors' Report

To the Board of Directors and Shareholders of
Dart & Kraft, Inc

We have examined the consolidated balance sheet of Dart & Kraft, Inc (a Delaware corporation) and subsidiaries as of December 31, 1981 and 1980, and the related consolidated statements of income, shareholders' equity, and changes in financial position for each of the three years in the period ended December 31, 1981 Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances The financial statements of certain consolidated subsidiaries, whose net sales and net income represent approximately 30% of the related consolidated totals, were examined by other auditors and we were furnished with their reports thereon

In our opinion, based on our examinations and the reports of other auditors, the consolidated financial statements referred to above present fairly the financial position of Dart & Kraft, Inc and subsidiaries as of December 31, 1981 and 1980, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles which, except for the change (with which we concur) in the method of accounting for foreign currency translation as explained in Note 1 to the consolidated financial statements, have been applied on a consistent basis

Arthur Andersen & Co.

Chicago, Illinois,
February 12, 1982

Responsibility for Financial Statements

The auditors' report expresses their opinion as to the fair presentation of the company's financial statements and conformity with generally accepted accounting principles It is management's responsibility to see that such financial statements accurately reflect the financial position of the company and its operating results All of the financial information in the text of this annual report is consistent with that in the financial statements

The company maintains systems of internal controls, policies and procedures to ensure that its accounting, administrative procedures and reporting practices are of the highest quality and integrity The company also maintains an internal auditing function that continually evaluates the adequacy and effectiveness of such internal control, policies and procedures The company's business ethics policy, which is regularly communicated to all key employees of the organization, requires employees to maintain the highest ethical standards in their conduct of company affairs

The Board of Directors' Audit Committee, which is composed entirely of directors who are not employees of the corporation, meets periodically with the external and internal auditors and with management to satisfy itself that each is properly discharging its responsibilities
(See page 56)

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The Effects of Inflation on Dart & Kraft (Unaudited)

The following supplemental information is required by the Financial Accounting Standards Board as part of its program to develop financial reporting that will reflect the burden of inflation on companies The disclosures below provide a measure of the impact of inflation on Dart & Kraft, but they should be used with caution because the accounting techniques used are experimental in nature and because other companies may have used different assumptions and procedures

Restatements have been made under two different concepts current cost and constant dollar The current cost method adjusts historical costs to reflect changes in the prices of assets used or goods purchased for processing and sale The constant dollar method compensates for the overall rate of inflation as measured by domestic and foreign consumer price indexes Price changes in these indexes do not reflect actual cost changes experienced by the company, therefore, the meaningfulness of the constant dollar results is questionable

Beginning in 1981, the data incorporates the effects of the newly adopted foreign currency translation standards Prior years have not been restated

Changes During 1981 in Cost of Inventories and Property, Plant and Equipment

	(In millions)
Increase during 1981 in value of inventories and property, plant and equipment in constant dollars	$389 1
Increase during 1981 in current cost of these assets	314 5
Excess of increase during 1981 in constant dollars over increase in current cost	$ 74 6

The current cost of inventory, $1,887 7 million, was determined primarily from actual market costs Net property, plant and equipment's current cost of $2,504 8 million was calculated by the use of specialized indexes and engineering estimates Comparable historical amounts are $1,851 3 million and $1,565 3 million

Net Income Adjusted for Inflation

	(In millions) Year Ended December 31, 1981	
	Current Cost	Constant Dollar
Income before taxes as reported in the Consolidated Statement of Income	$643 9	$643 9
Excess of adjusted cost of products over historical cost of products (excluding depreciation)	(56 7)	(167 0)
Excess of adjusted depreciation over historical depreciation*	(89 9)	(82 9)
Reduction of divested units' assets to recoverable values	—	(38 8)
Adjusted income before taxes	497 3	355 2
Provision for taxes on income as reported in the Consolidated Statement of Income	(296 4)	(296 4)
Adjusted net income	200 9	58 8
Purchasing power gain from net monetary position	88 6	88 6
Total	$289 5	$147 4

*Total current cost depreciation was $288 1 million, total constant dollar depreciation was $281 1 million

Current cost income is higher than constant dollar income because the company's costs increased during the year less rapidly than the consumer price indexes Since existing tax laws only partially allow for the distorting effects of inflation, the effective tax rates of 59 6% on current cost income and 83 4% on constant dollar income are substantially higher than the 46 0% effective rate on reported income

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*Comparison of Selected Supplemental Financial Data**

	1981	1980	1979	1978	1977
	(Dollars in millions, except per share, all current cost and constant dollar amounts in average 1981 dollars)				
Net sales					
–as reported	$10,211 0	$ 9,411 5	$ 8,824 5	$ 7,491 4	$ 6,828 5
–constant dollar	10,211 0	10,387 7	11,057 0	10,443 5	10,248 4
Net income					
–as reported	347 5	383 1	359 8	311 1	263 3
–current cost	200 9	237 7	216 8		
–constant dollar	58 8	149 1	186 4		
Net income per common share					
–as reported	6 36	7 03	6 62	5 73	4 87
–current cost	3 68	4 36	3 98		
–constant dollar	1 08	2 74	3 43		
Cash dividends** declared per common share					
Dart & Kraft					
–as reported	3 40	80			
–constant dollar	3 40	85			
Kraft					
–as reported		2 40	3 00	2 65	2 32
–constant dollar		2 69	3 76	3 70	3 49
Dart					
–as reported		1 50	1 80	1 60	1 00
–constant dollar		1 67	2 26	2 23	1 50
Net assets					
–as reported	2,718 0	2,620 5	2,382 9	2,150 9	1,952 6
–current cost	3,574 5	3,815 7	3,829 6		
–constant dollar	3,512 1	3,762 4	3,704 2		
Foreign currency translation adjustments					
–as reported	(78 2)				
–current cost	(100 0)				
–constant dollar	(91 0)				
Purchasing power gain from net monetary position in constant dollars	88 6	85 2	105 5		
Increase in the constant dollar value of inventories and property, plant and equipment over their current cost value in constant dollars	74 6	153 0	79 2		
Common stock price per share at year-end					
–as reported	50 75	43 50			
–constant dollar	49 11	45 86			
Average U S Consumer Price Index	272 4	246 8	217 4	195 4	181 5

*See Note 1 of the Notes to the Consolidated Financial Statements

**1980 dividends–Dart & Kraft fourth quarter only. Kraft and Dart Industries, first three quarters only

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Officers

Office of the Chairman

John M Richman
Chairman of the Board and
Chief Executive Officer

Warren L Batts
President

Group Vice Presidents

John P Del Favero
President,
Chemical-Plastics Group

F William Graham
President,
Home and Commercial
Products Group

Joseph Hara
President,
Tupperware International

William L Jackson
President, Duracell
International Inc

Arthur W Woelfle
President,
Kraft, Inc

Corporate Staff

Michael Allik
Senior Vice President,
Finance and Administration

William W Crawford
Senior Vice President,
General Counsel and Secretary

William E Reidy
Senior Vice President,
Corporate Strategy and
Development

Russell K Bolton
Vice President and
Associate General Counsel

Gary P Coughlan
Vice President,
Operations Services

Garland K Franklin
Vice President,
Management Resources

William B Jordan
Vice President and
Treasurer

John T Kelly
Vice President and
Assistant General Counsel

Margaret P MacKimm
Vice President,
Public Affairs

Thomas J McHugh
Vice President, Taxes

William R Palmer
Vice President, Auditing

James O Rollans
Vice President,
Business Analysis &
Investor Relations

Norman Wicks
Vice President and
Executive Assistant
to the Office of
the Chairman

Roger H Willis
Vice President and
Controller

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Directors and Committees of the Board

Board of Directors

John M Richman
Chairman of the Board
and Chief Executive Officer
Northbrook, Illinois

Justin Dart
Chairman of the
Executive Committee
Los Angeles, California

Curtis Barkes
Retired Director and
Chairman of the Finance
and Audit Committees
UAL, Inc
Airline and Hotels
Rancho Santa Fe, California

Warren L Batts
President
Northbrook, Illinois

William O Beers
Retired Chairman of the Board
and Chief Executive Officer
Kraft, Inc
Chicago, Illinois

William O Bourke
Executive Vice President
and Director
Reynolds Metals Company
Aluminum Products
Richmond, Virginia

Edward E Carlson
Chairman and Director
UAL, Inc
Airline and Hotels
Chicago, Illinois

Catherine B Cleary
Retired Chairman of the Board
and Chief Executive Officer
First Wisconsin Trust Company
Trust Services
Milwaukee, Wisconsin

John D deButts
Retired Chairman of the Board
and Chief Executive Officer
American Telephone and
Telegraph Company
Communications
Upperville, Virginia

E Mandell de Windt
Chairman of the Board
and Chief Executive Officer
Eaton Corporation
Industrial Products
Cleveland, Ohio

Lloyd C Elam, M D
Chancellor
Meharry Medical College
Nashville, Tennessee

William T Gossett
Counsel
Dykema, Gossett, Spencer
Goodnow & Trigg
Attorneys
Detroit, Michigan

Robert S Ingersoll
Former Chairman
Borg-Warner Corporation
Manufacturing and Services
Chicago, Illinois

John F McGillicuddy
Chairman of the Board,
President and Chief Executive
Officer of Manufacturers
Hanover Corporation and
of Manufacturers Hanover
Trust Company
Commercial Banking
New York New York

William D Noel
Retired Chairman
El Paso Products Company
Energy
Odessa, Texas

John S Reed
Chairman of the Board and
Chief Executive Officer of
Santa Fe Industries, Inc
Transportation and
Natural Resources
Chicago, Illinois

William E Simon
Chairman
Crescent Diversified Ltd
Investments
New York, New York

Edward R Telling
Chairman of the Board, President
and Chief Executive Officer
Sears, Roebuck & Co
Retailing and Financial Services
Chicago, Illinois

Holmes Tuttle
President and
Director of
Holmes Tuttle Enterprises
Automobile Distributor
Los Angeles, California

John L Weinberg
Senior Partner
Goldman, Sachs & Co
Investment Banking
New York, New York

Hamer F Wilson
Chairman
Tupperware International
Orlando, Florida

Arthur W Woelfle
President and
Chief Operating Officer
Kraft, Inc
Glenview, Illinois

George G Zipf
Retired President and
Chief Operating Officer of
The Babcock & Wilcox
Company and Vice Chairman
of J Ray McDermott & Co , Inc
Industrial Products
Stuart, Florida

Audit Committee

The Audit Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, recommends selection of the independent auditors, reviews matters pertaining to the audit, systems of internal control, and accounting policies and procedures, has approval authority with respect to services provided by the independent auditors, and directs and supervises investigations into matters within the scope of its duties

Curtis Barkes, Chairman
Lloyd C Elam, M D
William T Gossett
Robert S Ingersoll
John L Weinberg
George G Zipf

Committee on Directors

The Committee on Directors identifies, reviews qualifications of, and recommends candidates for Board membership, and also acts on other matters pertaining to such membership

John F McGillicuddy,
Chairman
William O Beers
Justin Dart
John D deButts
E Mandell de Windt
John M Richman
William E Simon

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Corporate Information

Employee Benefits Committee

The Employee Benefits Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, makes recommendations to the Board concerning employee benefit plans, monitors the investment performance of employee benefit trust funds, and also has certain responsibilities under the Dart & Kraft, Inc Thrift Plan

Catherine B Cleary, Chairman
Edward E Carlson
E Mandell de Windt
Lloyd C Elam, M D
William D Noel
Holmes Tuttle
George G Zipf

Executive Committee

The Executive Committee has most of the powers of the Board of Directors and can act when the Board is not in session

Justin Dart, Chairman
Warren L Batts
William O Beers
William O Bourke
Edward E Carlson
Robert S Ingersoll
John S Reed
John M Richman
William E Simon
Edward R Telling
Arthur W Woelfle

Finance Committee

The Finance Committee reviews and makes recommendations to the Board regarding dividends, financial policies and procedures, and also has the authority to approve various financial transactions

William O Beers, Chairman
Curtis Barkes
Warren L Batts
Justin Dart
John D deButts
John F McGillicuddy
John M Richman
William E Simon
John L Weinberg
Arthur W Woelfle

Management Compensation Committee

The Management Compensation Committee, composed of directors who are not employees of the corporation or any of its subsidiaries, administers various management incentive plans, and also takes action on, or recommends to the Board, salary changes for certain management personnel

E Mandell de Windt, Chairman
William O Bourke
Catherine B Cleary
William D Noel
John S Reed
Edward R Telling
Holmes Tuttle

Corporate Office

Dart & Kraft, Inc
2211 Sanders Road
Northbrook, Illinois 60062
(312) 498-8000

Transfer Agents

Manufacturers Hanover Trust Company
Securityholder Relations Department
4 New York Plaza
New York, New York 10015

State Street Bank and Trust Company
Stock Transfer Department
225 Franklin Street
Boston, Massachusetts 02101

Harris Trust and Savings Bank
Corporate Trust Operations
111 West Monroe Street
Chicago, Illinois 60603

Bank of America National Trust and Savings Association
Stock Transfer Department
55 Hawthorne Street
San Francisco, California 94120

The Royal Trust Company
Stock Transfer Department
630 Dorchester Boulevard West
Montreal 110, Quebec, Canada

Royal Trust Tower
Toronto-Dominion Centre
Toronto 116, Ontario, Canada

*Commonwealth Trading Bank of Australia
Stock Transfer Department
367 Collins Street
Melbourne, Victoria, Australia

Registrars

Manufacturers Hanover Trust Company
New York

Continental Illinois National Bank and Trust Company of Chicago
Chicago

State Street Bank and Trust Company
Boston

Wells Fargo Bank, N A
San Francisco

Montreal Trust Company
Montreal and Toronto

*The Wales Nominees (Vic) Pty Limited
Melbourne

Stock Exchanges

New York (principal market), Boston, Midwest, Pacific, *Adelaide, *Brisbane, *Hobart, *Melbourne, *Perth, *Sydney, London, Antwerp, Brussels, Paris, Frankfurt/Main, Amsterdam, Basel, Bern, Geneva, Lausanne, Zurich

U S Trading Symbol DKI

Auditors

Arthur Andersen & Co

*For shares represented by Australian certificates only

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Northbrook, IL 60062

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